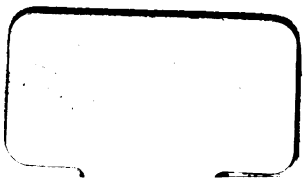

PROCEEDINGS

OF THE

NATIONAL CONVENTION

OF

Insurance Commissioners

BURLINGTON, VERMONT

JULY 29th—AUGUST 1st, 1913

THE STATE COMPANY
COLUMBIA, S. C.
1913

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Insurance Commissioner, ~~North Carolina.~~ Utah

Second Vice-President.

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F. H. McMASTER,
Insurance Commissioner, South Carolina.

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~~C. A. PALMER, Chairman~~ ..... ~~Michigan~~
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BURTON MANSFIELD ..... Connecticut
JOSEPH BUTTON ..... Virginia
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T. M. HENRY.....Mississippi
~~M. C. CLAY~~.....~~Kentucky~~
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Jacobs Chaney N. Mex

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E. H. MOORE.....Ohio
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BURTON MANSFIELD .....Connecticut
CHARLES JOHNSON .....Pennsylvania
C. A. PALMER.....Michigan
ROBERT J. MERRILL.....New Hampshire
B. L. GILL.....Texas
W. L. CLAYTON.....Colorado

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O. S. BASFORD.....South Dakota
J. A. O. PREUS.....Minnesota
A. P. HAVEY.....Maine
JOHN S. DARST.....West Virginia
B. L. GILL.....Texas
W. C. TAYLOR.....North Dakota
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FRED W. POTTER.....Illinois
H. O. FISHBACK.....Washington
ALVIN E. HEBERT.....Louisiana
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Reserves Other Than Life.

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H. L. EKERN.....Wisconsin
W. H. O'BRIEN.....Indiana
I. S. LEWIS.....Kansas
I. C. HATTABAUGH.....Idaho
WILLIAM M. SHEHAN.....Maryland
W. T. EMMET.....New York
CHARLES C. GRAY.....Rhode Island

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ANDREW P. HAVEY.....Maine
M. C. CLAY.....Kentucky
I. S. LEWIS.....Kansas
W. R. McCABE.....Delaware
GEORGE W. INGHAM.....District of Columbia
CHAS. G. REVELLE.....Missouri

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W. C. TAYLOR.....North Dakota

CYRUS B. BROWN.....Alabama
P. A. BALLARD.....Oklahoma
A. P. HAVEY.....Maine
M. C. CLAY.....Kentucky
JOSEPH BUTTON .....Virginia
E. C. COOPER.....California
B. L. GILL.....Texas

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CHARLES JOHNSON .....Pennsylvania
J. W. FERGUSON.....Oregon
P. A. BALLARD.....Oklahoma
W. C. TAYLOR.....North Dakota

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JOHN M. OATHOUT.....Arkansas
JOHN C. LUNING.....Florida
J. W. FERGUSON.....Oregon
R. B. FORSYTH.....Wyoming
I. S. LEWIS.....Kansas

Blanks.

HENRY D. APPLETON, Chairman.....New York
S. E. STILLWELL.....Ohio
JOSEPH E. GREEN.....Maryland
R. E. ANKERS.....Virginia
I. E. LANG.....Maine
H. PIERSON HAMMOND.....Connecticut
GEORGE GRAHAM, Jr.....Illinois
FELIX HEBERT .....Rhode Island
L. G. HODGKINS.....Massachusetts
H. P. ORR.....Michigan
S. W. McCULLOCH.....Pennsylvania
J. F. WILLIAMS.....South Carolina
JAMES FAIRLIE .....Iowa

SPECIAL COMMITTEES.

Classification of Risks and Loss Experience of Fire Insurance Companies.

WM. T. EMMET, Chairman.....New York
FRED W. POTTER.....Illinois
H. L. EKERN.....Wisconsin
BURTON MANSFIELD.....Connecticut
JAMES R. YOUNG.....North Carolina

Liability Loss, Reserves and Reserves on Workmen's Compensation.

W. T. EMMET, H. L. EKERN, CHARLES JOHNSON.

To Draft a Uniform Fire Insurance Policy.

W. T. EMMET, BURTON MANSFIELD, CHARLES JOHNSON, J. R. YOUNG, H. L. EKERN.

Cost of Life Insurance, Expense Loading in Life Insurance Premiums, Compensation of Life Insurance Agents, and Segregation of Non-Participating and Participating Insurance in the Same Company.

F. H. McMASTER, W. T. EMMET, J. S. DARST.

Profit Sharing Contracts in Health and Accident Insurance, Insurance of Automobiles, Uniform Bill on Mutual Insurance.

J. A. O. PREUS, C. A. PALMER, CHARLES JOHNSON, H. L. EKERN.

To Confer With Federal Government on Claims Against Surety Companies.

F. H. HARDISON, W. M. SHEHAN, E. H. MOORE, JOSEPH BUTTON, G. W. INGHAM.

Clearing Committee for Rulings on Health and Accident Policies.

W. T. EMMET, BURTON MANSFIELD, E. H. DEAVITT, F. H. HARDISON.

Special Deposits of Insurance Companies.

BURTON MANSFIELD, Chairman.....Connecticut
F. H. HARDISON.....Massachusetts
HENRY D. APPLETON.....New York

PROCEEDINGS

FIRST DAY

MORNING SESSION.

The Convention met at 9 o'clock A. M., Tuesday, July 29, 1913, at Burlington, Vermont, and was called to order by the President, Hon. Frank H. Hardison, Insurance Commissioner of Massachusetts.

The President: The assembly will be in order. We are here to hold our annual meeting of the National Insurance Commissioners. It is the first time, I think, that the Convention has ever met in the State of Vermont. We have representatives here from all over the country, from the South and far West besides the East.

We are to be welcomed to this sturdy old Commonwealth by the Governor of this State. I have the pleasure of presenting to you his Excellency, Governor Allen M. Fletcher. (Applause.)

Governor Allen M. Fletcher:

Mr. President and Gentlemen of the Association, it is a pleasure for me to look into the faces of this body of men who have come to Vermont.

I extend to you the freedom of the State, and I, as well, extend to you executive clemency in advance.

I have two or three cold storage speeches of Vermont, but they are hardly adapted to this temperature. It will take an hour or an hour and a half to deliver them, and I will not inflict them upon you.

I think you have been extremely wise to come to the beautiful city of Burlington. There is a tradition floating about this place that a certain minister of this town in exhorting his flock said—speaking upon the question of hell: "My friends, hell is full of all sorts and kinds of things. It has lots of automobiles, operatic shows and whiskey." And a brother arose and said: "Oh, death, where is thy sting?" (Laughter.)

Now, gentlemen, you will be welcomed in Burlington, and you have made no mistake in coming here.

I wish to make one suggestion to you; it is rather a hope; that this meeting will be productive of good along the line of uniform legislation, if possible; uniform legislation on the question of insurance. Uniform legislation on almost all vital questions to the various States is what is needed in this country today more than any other one thing. And, gentlemen, if you don't have it, if you don't reach that end, you are going to have national legislation on a great many subjects that are of business interest to this country. And if you allow this condition to present itself you may have a political solution of

many troubles not agreeable to you and not for the best interest of this country as a whole. Therefore, I suggest that a very important question for you to consider is that of uniform legislation.

In my legislative life and in my brief executive life I have had to confront a good many propositions that lead me right forcibly to that conviction. And the other day here—one day last week—I was asked to preside over in New Hampshire at a joint meeting of the Massachusetts, Vermont and New Hampshire Forest Association. A representative of Pennsylvania was there, and he said that the Governor of Pennsylvania had been compelled to veto an appropriation of $100,000 to put an end to blight on chestnut trees because other States would not take part in it and it was useless for Pennsylvania to proceed alone.

I might go on and enumerate. I simply make this suggestion for your consideration.

Gentlemen, I hope that your meeting will be a prosperous one and you will see enough of Vermont here that when you grow so wealthy in your respective States that you wish to retire you will come up here and cast your lot with us. I wish to say to you in confidence that I have been advised by the Medical Department of the University of Vermont very recently that they had definitely discovered beyond any reasonable doubt that it was easier to die in the State of Vermont than any other State in the Union. (Laughter and applause.)

Gentlemen, I thank you. (Applause.)

The President: His Excellency has spoken of Burlington as a beautiful city. I am going to go him a little better and call it the beautiful, busy, bountiful, bewitching city, and call upon his Honor James E. Burke to welcome us in behalf of it. (Applause.)

Mayor James E. Burke:

Mr. President, Your Excellency, and Gentlemen, it ought to be needless for me to say to you, gentlemen, that I have a very pleasant duty to perform this morning, the welcoming of such an organization as this to the foremost and best city in the State of Vermont. His Excellency a few moments ago stated that you chose wisely and well in coming to the City of Burlington for the purpose of holding your annual convention. I wish to say, gentlemen, that I am fully in accord with that sentiment. I think you did choose wisely and well in selecting Burlington as the place for holding your annual gathering in the year 1913, and I feel as though it was my duty to congratulate you upon that choice.

As I said a moment ago Burlington is the principal city of the State of Vermont, and by reason of that fact it is the Mecca to which organizations for the purpose of holding their annual meetings come from year to year. Therefore, you can readily see it is a pleasure for me to represent the citizens of Burlington in welcoming all such organizations who may see fit to come here to our city. And while it has always been considered a great honor to extend a cordial

welcome to the different organizations that have been accustomed to visit here from year to year, yet when I consider the character of this organization that is assembled in these rooms this morning, when you stop to consider that it has an international character, that its representatives come not only from our own beautiful and beloved country but also from the country to the north, I say it is an added honor and pleasure to me to represent the citizens of Burlington in welcoming such a body to our hospitable city this morning.

In behalf of the citizens of Burlington, whom I have the honor to represent, I extend to each and every one of you a most cordial welcome to our city this morning.

Gentlemen, when we consider the nature of your organization, the object for which it was organized, I think we have a right to say that it is one of the most important organizations there is in the United States; for you represent an organization, gentlemen, that has for consideration matters of importance, matters that enter into the very homes of the most humble of our land. So that you can see that an organization that is conducted along such broad lines and has to do with such important matters is a very important organization in the country at the present time.

And I want to say that owing to the character of your organization, an organization that stands between the people and the insurance companies of the United States, I say it is very important; and if there ever was a time when there was need of such an organization standing between the people and those representing the insurance companies the time is now when we should have it.

And while it is not my purpose to take up any of your valuable time to suggest to you as to what you ought or ought not to do during your deliberations, I simply say, gentlemen, that I hope your visit to Burlington will be one of the most profitable visits that you have ever made in the conduct of your business. I hope it will be fruitful of wise legislation in the interest of the people.

And I simply want to say in closing: God speed you in your noble work. In addition I want to say—really you can thoroughly understand it is always customary when an organization comes to a city like this, that while they are the guests of the city it is always customary that that courtesy should be extended to them, in extending to them the freedom of our city. This morning, gentlemen, I simply want to say while you are here in the city of Burlington this city is yours; and I only hope that when you leave the city of Burlington you will carry with you to your distant homes nothing but kind remembrances of your stay here while you were here with us.

Gentlemen, I thank you. (Applause.)

The President: Response in behalf of the convention will be made by Commissioner James R. Young of North Carolina. (Applause.)

Vice-President James R. Young:

Mr. President and Gentlemen of the Convention, Ladies and Gentlemen: It is good to be here. It would be nice to be in any place with so cordial and fitly spoken a welcome as we have heard from the distinguished officials this morning, much less in such an attractive and lovely a place as your city, situated so beautifully amidst the magnificent scenery of the Green Mountain State.

While I esteem it a great honor at any time to represent our National Convention of Insurance Commissioners, especially on this pleasant occasion, I preferred, my friends, that this response to the addresses of welcome should have been made by the Second Vice-President of the Association, my friend from Utah, or some other of my associates who are more gifted than the speaker in giving expression to their views and feelings. He would have made you an eloquent address and would have delighted you with his magnificent speech; but he would not have brought to you a keener appreciation of your hearty welcome than I do. We people of the South have the reputation of knowing how to give a whole-souled welcome and extend a real Southern hospitality; and I assure you that we know the genuine article and how to appreciate it when it is extended.

Mr. President and gentlemen, I am referring not simply to the eloquent words that have voiced the welcome to us here this morning, but also to the exhibitions of welcome that have been given us in the kind words and thoughtful attentions that we have received ever since we arrived in your midst.

We appreciate very much the honor of having the Governor of this grand old State to welcome us; and we assure him that it has been for a long time the aim of this convention in all of its work to strive for and to obtain uniform legislation. The statutes of our different States show how much has been accomplished along this line.

And we appreciate very much his offer of clemency to us here this morning; but, as far as I know, none of us are mentioned in the Mulhall letters (laughter) or are mixed up in other little matters that are stirring the country at this time, and being head-lined in the daily press.

I appreciate very much the pleasure of being here. You have made us, Mr. Mayor, feel at home and very welcome; but how could that be otherwise among such a people led by such men as your Governor and your Commissioners Deavitt and Bailey, whom we have learned to know and value? Your State is to be congratulated on having two such officials; and your people are fortunate that they live among them always.

While we come among you for pleasure and such recreation as will come with change of surroundings, yet we come primarily for business. Mr. President, we congratulate ourselves that we are a business body, although frequently our newspaper friends and the officials of the insurance companies are inclined to say that we take ourselves

and our work too seriously. However, I am not complaining of this. It is with much tribulation we advance in other matters as well as in entering the Kingdom of Heaven. A celebrated Swiss reformer said: "If we expect to accomplish much we must make up our minds to bear a great deal."

Now, gentlemen, don't misunderstand me. The relations between the members of this association and the members of the press and the officials of the companies are close and cordial. We all understand each other. We are all working together for the improvement and uplift of this business. And while we differ sometimes we realize it is because we look at things from a different view-point. The Commissioners naturally and properly look at these matters from the view-point of supervision, which makes, of course, a different situation in judging matters.

Practically every State of our Union now has a supervising insurance department and officials; some in a separate department; others joined with another department. Some of these departments and officials are hampered by having too many duties, too few helpers, and too little of the necessary funds; but we are all working together in this convention and in our several departments with a common purpose and a high aim to improve this business and to make it effective in all of its work, bearings and effects.

This, gentlemen, is no small task. It is a great business—it is immense. It is rapidly growing in volume and improving each day. By rapid evolutions it is progressing and producing a better condition of things, not simply in the classes of business that are well established and understood, but also in the new kinds and classes of insurance that are springing up.

But, my friends, I am not here this morning for the purpose of making you a speech upon the great importance and magnitude of this business, and how it touches every department of our life and business, nor to tell you how absolutely necessary it is that this business should be properly supervised at all times. In fact, my friends, I am not here to make a speech at all. I wish simply for myself and my associates, for our friends here and our visitors to express to you, Mr. Mayor, and your Excellency, and to our good friends who have so kindly welcomed us, our great pleasure at being in your midst and to tell you how much we appreciate the welcome that you have extended to us here this morning to your State and to your city.

We confidently expect to enjoy ourselves. We are going to do some business. And I believe I can say to you, Mr. Mayor, in view of your appreciation of this business and the importance of it, that we are working together to accomplish something in it. But while here we shall not devote our whole time to work, for we see prospects of a good time. And when we go away from here we are going to carry away with us such a feeling and impression upon our minds and hearts that there will ever linger with us a desire to return again

to the Green Mountain State and once more mingle with and enjoy her people. (Applause.)

The President: The first business of the convention will be the roll call of the States by the Secretary. The Secretary will call the roll of the States and as each State is called the representative will rise and give his official title and name.

The Secretary then called the roll call of States and representatives of various States answered as appears by the following official roll of the convention:

Twenty-six States responded to the first roll call, but for convenience the roll as finally completed is given as follows:

Alabama—Cyrus B. Brown, *ex-officio* Insurance Commissioner; W. R. Halliday, Actuary. (See also Mississippi.)

Arizona—Frank DeSouza, Secretary Corporation Commission.

Connecticut—Burton Mansfield, Insurance Commissioner; H. Pierson Hammond, Actuary.

Idaho—E. F. VanValkenburg, Insurance Commissioner.

Indiana—Samuel V. Perrott, Actuary; C. M. Spencer, Examiner.

Kansas—Ike S. Lewis, Superintendent of Insurance.

Louisiana—Alvin E. Hebert, *ex-officio* Insurance Commissioner.

Maine—J. W. Blunt, Insurance Commissioner; I. E. Lang, Deputy.

Maryland—Wm. Mason Shehan, Insurance Commissioner.

Massachusetts—Frank H. Hardison, Insurance Commissioner; L. G. Hodgkins, Deputy.

Michigan—John T. Winship, Insurance Commissioner; H. P. Orr, Deputy.

Minnesota—J. A. O. Preus, Commissioner of Insurance.

Mississippi—T. M. Henry, Insurance Commissioner; W. R. Halliday, Actuary. (See also Alabama.)

Missouri—Charles G. Revelle, Insurance Commissioner.

Montana—William Keating, *ex-officio* Insurance Commissioner.

Nebraska—O. G. Pritchard, Examiner.

New Hampshire—Robert J. Merrill, Insurance Commissioner.

New York—W. T. Emmet, Superintendent of Insurance; Henry D. Appleton, Deputy; N. B. Hadley, Chief Life Examiner; D. F. Gordon, Chief Fire Examiner; A. B. Saxton, Chief Casualty Examiner.

North Carolina—James R. Young, Insurance Commissioner; J. C. Young, Clerk.

North Dakota—W. C. Taylor, Commissioner of Insurance.

Ohio—E. H. Moore, Superintendent of Insurance.

Pennsylvania—Charles Johnson, Insurance Commissioner; Samuel W. McCullough, Deputy.

Rhode Island—Charles C. Gray, Insurance Commissioner; S. E. Allison, Actuary.

South Carolina—Fitz Hugh McMaster, Insurance Commissioner.

South Dakota—O. S. Basford, Insurance Commissioner.

Tennessee—J. Will Taylor, Insurance Commissioner.

Texas—John E. Higdon, Actuary.

Utah—Willard Done, Insurance Commissioner.

Vermont—Guy W. Bailey, *ex-officio* Insurance Commissioner; E. H. Deavitt, *ex-officio* Insurance Commissioner.

Virginia—Joseph Button, Insurance Commissioner; Malvern Hill, Chief Clerk.

West Virginia—J. S. Darst, *ex-officio* Insurance Commissioner; Gilford Darst, Assistant.

Wisconsin—Herman L. Ekern, Commissioner of Insurance; L. A. Anderson, Actuary; B. S. Beecher, Assistant Actuary.

Wyoming—R. B. Forsyth, *ex-officio* Insurance Commissioner.

Invited guests of the convention, from Canada, and to whom were extended the privileges of the floor were:

British Columbia—E. F. Gunther, Superintendent of Insurance.

Manitoba—A. E. Ham, Inspector of Insurance.

The Secretary (Mr. F. H. McMaster, Insurance Commissioner of South Carolina): Gentlemen, I may say that we have information that several other Commissioners who are not here now will be here today.

The President: Twenty-six States have answered to their names.

At this point in the program it is customary for the President of the Convention to inflict his annual address.

ANNUAL ADDRESS OF THE PRESIDENT.

PRESIDENT FRANK H. HARDISON'S ADDRESS AT OPENING OF NATIONAL INSURANCE COMMISSIONERS' CONVENTION AT BURLINGTON, JULY 29TH.

Any Insurance Commissioner would find it easy to occupy a much longer period of time than I have at my disposal in discussing the practical insurance problems that he meets in his daily work. To be sure, not all are of equal importance, but none of them can be ignored. It is to some of these practical matters that I am going to direct your attention during my allotted space rather than to attempt to interest you in any glittering generalities about insurance, a subject about as prolific of oratorical flurries as the Fourth of July or our Great and Glorious Republic. And, first, let me say a few words on

Liability Loss Reserves.

Several of the States have a statute which prescribes the rule for computing the outstanding losses with which insurance companies must be charged on account of their liability and workmen's compensation writings. This rule was adopted only a few years ago with the indorsement of but there is now a general agreement that it should be so modified as to require the companies to carry a still larger amount as the probable cost of settling outstanding obligations. Of course, an increase in this reserve might be effected in another way. This is evident from the fact that the law requires the reserve to be made on a premium percentage basis.

If, for instance, the premiums had been 50 per cent. higher since the statute in question went into effect, while the losses would have been no larger, the reserves, worked out under the complicated provisions of the law, would have been greatly increased and would, without doubt, be now ample. A call for higher reserves, which simply reflects greater losses, will in the end result in higher rates for the purpose of affording means for setting aside those larger reserves.

But in considering this question the bearing of the new problem of workmen's compensation should not be overlooked, for the law in question relating to loss reserves covers workmen's compensation as well as liability losses. If, now, employers' liability insurance, as it has been carried on in the past, practically ceases to be used, and workmen's compensation insurance takes its place, it follows that if the rates for workmen's compensation insurance are high enough to permit it, the companies will generally be able to set aside from their current revenue sufficient reserves to take care of current and future claims. The workmen's compensation rates in Massachusetts I believe are high enough to afford sufficient income for that purpose.

And here I will add that I do not believe that the public will ever be satisfied with a loss ratio for workmen's compensation insurance anywhere near like that which liability insurance experience shows. The expenses will have to come down. A larger portion of the premiums which the employers are paying will have to go to the injured employees. Instead of 70 per cent. going for expenses and profits and 30 per cent. going to the injured parties, the figures will have to be reversed and 70 per cent. or better go for injuries and the balance for expenses and profits. Already we see signs of a reduction in expenses for workmen's compensation insurance. In Massachusetts the rate allowed agents is not in excess of 17 1-2 per cent., and to brokers not in excess of 10 per cent., and some of the stock companies advocate still lower commissions. The cost of litigation is cut out and the ambulance-chasing lawyer is no longer visible. The ambulance-chasing doctor tried to take his place, but, thanks to an efficient State Board which has an oversight of all settlements, he has found that his ventures are not so profitable as he had hoped.

The problem is to so amend the law that out of proper rates for liability and workmen's compensation insurance a sufficient amount will be reserved by the companies to settle the losses which are accruing on account of injuries already received. That percentage will be considerably in excess of the present minimum, in my judgment.

This appears from the fact that the loss ratio of the last five years is much higher than the loss ratio of the first five years of the period covering the past ten years, although there has been no cutting of rates sufficient to account for the increase in that ratio. Only five of the liability companies transacting business in Massachusetts show now a lower loss ratio on liability and workmen's compensation business for the period beginning 1908 and ending 1912 than for the period of five years preceding 1908, and when the losses are all in for the more recent period, there is no doubt that the ratio of losses of the five companies in question will be quite materially increased. Probably the increase will be sufficient to make the statement true that the ratio of losses of the liability companies transacting business in Massachusetts was higher for the more recent period of five years than for the immediately preceding period of five years. Only two of those companies for the

period running from 1908 to 1912 show a loss ratio under that specified in the New York law relating to loss reserves for such companies. Four of the companies show a ratio of 60 per cent. or over, and twelve show a ratio of upwards of 55 per cent. The lowest ratio is shown by a mutual company, and is somewhat under 50 per cent. It would not appear to be a wild prophesy to conclude that the loss ratio of liability companies for the period of five years ending in 1912, will ultimately be nearly 70 per cent., and if the expense ratio has been anywhere near that figure, it is easy to see the effect upon a company of transacting business on that basis.

Standard Provisions in Policies of Accident and Health Companies.

Next in importance to the measures which were formulated in 1907 for amending the laws relating to life insurance are the measures which were worked into shape by a committee of this convention for bettering the contracts issued by accident and health companies. While the most of us are more or less familiar with those measures, I desire to answer some of the attacks made upon them, for I take it that the campaign for their adoption has but just begun, as only seven States, as I am informed, have enacted those measures into law, namely, New York, Connecticut, Vermont, Michigan, Minnesota, Wisconsin and North Carolina.

The bill, which was prepared and endorsed by this convention, was introduced in some other States, and I can answer for Massachusetts, that its opponents secured its reference to the next Legislature. Now, strange as it may seem, the responsibility for the defeat of the measure, at least in my State, was, as far as outward appearances showed, upon a few small companies doing a negligible volume of business, but, nevertheless, able to nullify the influence of the great majority of companies, including large and small, which were nominally at least in favor of the bill. The representations were that the proposed standard provisions contract had provisions which were less liberal to the public than what some of the companies are now using in their policies, and that standard provisions are not desirable, as they hamper efforts to devise new and improved forms for developing the business, and compel all companies to run along in the same groove, thus preventing individuality from doing its perfect work in improving conditions along all lines for the benefit of the public.

Personally, this view, applied to health and accident policies, does not appeal very strongly to me. The avowed desire to write more liberal forms comes from a source that warns us to beware of the Greeks who come bearing gifts. It exists for no other purpose, in my judgment, than for argument. The fear that the bill will prove to be a straight-jacket to stop growth and development is groundless. It is this phase of the issue I would like to discuss briefly.

Now, in the first place, this bill does not attempt to compel the companies to use a standard policy in certain specified language. Only certain provisions of the policy must be drawn in the exact words of the law. Those provisions relate to what constitutes the contract, to notices of claims, to payment of premiums, to cancellation, to pro-rating and other matters which have to do with determining whether or not, in case of disability, the insured has a just claim against the company. The purpose was to stop the use of the uncertain and ambiguous language often employed in policies for setting forth the conditions under which the insured might

expect to have his claim for indemnity allowed, and in place thereof require language that would eliminate the uncertainty and ambiguity which enabled the shrewd adjuster to dodge the payment of many a claim that ought to have been approved.

Moreover, prescribed language in these respects would put all companies on the same basis. Court decisions also would have a broader application, for they would be as germane to the contracts of one company as to those of another if they related to the provisions which were required to be in standard language. There is not a company, as far as my knowledge goes, that has presented in any of its policies the subject matter of any one of these standard provisions in language that better protects the policyholder than the language of this bill, while the great mass of them have been in language distinctly inferior for the interest of the policyholder. And this was but the natural result, for while some of the companies employed high-grade talent to draft their policies, others entrusted the work to men who neither by training nor nature had the first qualification for drawing a contract of this nature, and apparently "lifted" the worst provisions from the policies of their rivals. It was natural, too, for the men of highest calibre employed for drafting policies to so construct the provisions as to give the company an advantage should any close question arise. At any rate, some of the Commissioners know that, under the forms of policies which the companies drew for selling to the industrial policyholder, most unjust settlements were made by some adjusters, with the approval of their companies, who took advantage of uncertain and ambiguous provisions in the policies, which provisions it is now proposed to have couched in definite and positive language which cannot be so readily twisted by the unfair adjuster. This requirement will not hurt the best of them, and will restrain the worst of them, and the best of them ought to feel relieved that the worst of them are to be restrained.

That this outcry made against "standard policies," as some of them call the provisions in question, has a hollowness about it that must be apparent to all, since the policies are not standard policies. Only certain provisions, as I have said, must be in fixed language. The language of the rest of the policy may be selected by the companies. All that part of the policy which states the amount of benefit and the premium to be paid therefor is left to the companies to draft. Here the companies which complain that the standard provisions of the bill so bottle up their desire to be liberal, can, if their complaint be genuine, find a safety valve. They may reduce expenses by refusing to pay 40 per cent. commission to agents, or, if not attempting to twist business by high commissions, reduce unearned salaries, or dividends, and let the policyholder have the advantage of lower premiums or larger benefits. Those companies which complain loudest do not exhibit an attack of liberality in this form, which the policyholder can measure and comprehend as readily as he knows the difference between $2.25 per day for work or $2.50. It takes rather the form of some frill which can be represented by the glib agent as of great value, but really costs little to the company, which fact the ordinary policyholder no more comprehends than he would the cost to the company of an accident policy for $1,000 which is sometimes offered to the purchaser of a $10 suit of clothes.

It is my belief that the effect of the adoption of the standard provisions law will tend to compel competition along lines of measurable benefits so that results can be compared and the really honest company, which means to do the fair thing by the policyholder,

will gain the advantage to which its methods entitle it, for all companies will have contracts which are alike in respect to the provisions it is difficult to line up for comparison, and will differ only in the provisions that any man of average intelligence can comprehend and measure as readily as he comprehends the difference between two amounts of money offered for the same service or the difference between a charge of $1.00 at one store for the same article that he can buy at another for 90 cents.

Classification of Fire Risks.

We are told by many fire insurance men, the opinions of some of whom are entitled to great respect, owing to the experience and high standing of those who promulgate them, "that classification statistics of premiums and losses have little or no practical value except as profit and loss accounts, and are useless for rate-making purposes." This statement, couched in differing language, has been made over and over again in the last few years. The first occasion of its recent revival was the request of a former Commissioner of Insurance of Minnesota, Hon. John A. Hartigan, sent to the fire insurance companies to furnish him with a schedule of their classifications of fire risks, the rates pertaining thereto and the experience in each of the classifications; and the second occasion was the more positive call of Superintendent Emmet, of New York, preferred last year, for information which, when in hand, would show the experience of each fire insurance company doing business, with each class of risks covering an extended period. This information has not yet been furnished. Argument has taken the place of compliance. Thus far argument has had the best of it, for it has caused the officials, who thought they needed the information the better to administer their trusts for the public good, to pause and consider. They were halted, I take it, by the claims that the information asked for would involve much time and expense for the companies, and would be of no value after it had been furnished, and, moreover, might disclose to competitors secrets which are worth something to the companies now possessing them.

I am one of those who take with a grain of salt the claims that the loss experience of the past is of no value in making fire insurance rates. I will admit that that experience, plus good judgment and insight as an underwriter, would be worth more than the experience alone. I might also admit that the underwriter's ability to scent danger from afar and so keep his company off from risks that are poorest of their class, whether owing to the moral or physical hazard, is of more value than the classified results derived from statistical tables no matter how accurately they are kept. But this is not a question of which is of most value, the institution—I had almost said omniscience—of the born underwriter or the classified experience of the past, but the issue is whether that experience is of a value to justify the work of compiling it. Personally I have no more doubt of its value than I have of the value of the statistics of experience upon which life insurance rates are based, or of the value of the statistics of experience under workmen's compensation acts upon which premiums for insurance of that character will be computed. Because I accept the figures of mortality set before me by the tables showing the percentage of persons of a given age who will die within a year, is no reason why I should believe that every man who applies for life insurance should be accepted at regular rates, nor why I should think that because I cannot accept every man who thus applies for a policy, my mortality table is of no

value in making rates. What of it if a good underwriter would refuse some risks that were offered at a rate derived from the statistics of the business,—that proves nothing only that there will be a chance for the exercise of judgment just as in life insurance there is an opportunity for the medical director to pass upon the risk offered. In one case the person passing the risk is called doctor and in the other an underwriter. In both cases experience furnishes or should furnish the basis of the rates. If a fire underwriter should start out with a company without any basis derived from experience, his own or another's, he would be forced to change his rates, as the facts of his experience with the risks he covered would indicate as prudent. To make rates for a fire insurance business without some basis of experience, would be very much like attempting to determine the cost of workmen's compensation insurance with no experience as to what premiums should be charged. Even now nobody knows what is a proper rate for any classification. The rates have been guesses. Why? Lack of experience set forth in statistics to show the probable cost of the benefits promised.

I feel sure that some time the combined experience of fire insurance companies will be collated, and when it is we shall see a considerable revolution in respect to rates, not necessarily, nor probably a revolution that will reduce rates as a whole, but one that will charge rates more nearly in accordance with the hazard, and thus obliterate the term "preferred risk," as used in fire insurance. We shall then wonder why the old inequitable method was able to hold its own so long, and will probably have to ascribe it to the fact that the ruts were deep and there were interests which were well enough satisfied to have the business kept therein.

Expenses of Insurance Companies.

That the expenses of insurance companies are much too high is a general impression. It is probably shared by the most of us. A pertinent fact tending toward that conclusion is the notice which is being sent out by some of the accident companies which offers a 40 per cent. commission to agents for renewals as well as for new business. A like commission is bid for some grades of business by some fire insurance companies. In other words, 40 cents out of 100 cents goes to the man who hands the risks over to the company. Add to this the other expenses of the company, and the result is not far from a 60 per cent. expense ratio. This leaves only about 40 cents out of every 100 cents to pay losses and provide a profit. It takes 60 cents, in other words, to return 40 cents to the policyholder.

On top of this, the expense ratio in many branches of insurance is increasing. The companies bid against each other for the risks which the agents control or by solicitation secure. This forces up commissions, brings new men into the field as agents and brokers and makes the business top-heavy with this initial expense. Let every insurance supervising official compare his receipts for licenses for agents and brokers for the year 1912, with corresponding receipts ten years ago, and he will see a marked increase. In Massachusetts in 1912 $80,487 was received for agents' and brokers' licenses; in 1902 the corresponding figures were $52,711, an increase of 53 per cent. in ten years, and this with no change in the cost per license. The business could be conducted quite as well by less middle men. Too large an army of non-producers has to be supported by the insurance business. Cut this number down and a

better income could be assured to each with a less burden upon the public. This is likely to be brought about some day, for the situation is one that violates all principles of economy and really adds little to public convenience.

At the extreme height which has been attained by expenses, as above pointed out, but which I would have no one infer has been reached in all classes of insurance nor by all companies in any class, we have the fact that here is a commodity, namely, insurance protection, which costs 40 cents or perhaps a little better, taking into account only the actual losses for which indemnity is paid; yet we pay 100 cents for that commodity. To be sure, a part of this difference is necessary to pay the legitimate expense in connection with furnishing the product and leaving a fair profit; but it is a great strain on our credulity to ask us to believe that some way will not be found to cut out a part of the expense that in extreme cases more than doubles the cost of the indemnity.

Such a way has been found in respect to workmen's compensation, and if the present Massachusetts law is kept in force some of us will live to see the expenses on this class of business cut to not over 25 per cent. of a reasonable premium, for fixing which the merit system of rating will be employed. Nor would it be surprising if the premium rate which may be charged by each company as a minimum were fixed partly by taking into view the companies' expense ratio, that is, by giving the company that showed the lowest percentage of expenses the right to cover risks for an addition above the pure premium proportionately less than the company would be required to use which showed a higher expense. In this way the lower expense company would get the advantage of its lower expense ratio in competition and still have just as large a pure premium for the payment of the losses as the less economical company. If such plans can be worked out for reducing the expenses of compensation insurance they can be devised for other kinds of insurance. Insurance departments and companies should co-operate to work out such plans, otherwise the public will do with the bludgeon what the insurance interests, meaning the supervisors and the supervised, fail to do with less warlike weapons.

Participating and Non-Participating Insurance by the Same Company.

I presume that it may be thought by some that I am riding a "hobby" when I bring to your attention the belief which I have frequently expressed that no insurance company should be permitted to do both a participating and a non-participating business, no matter in what line it may be operating. Not every one agrees with this view. In fact, for two successive years the insurance committee of the Massachusetts Legislature has disapproved the Insurance Commissioner's recommendation that a life insurance company, which is anywhere transacting a participating and a non-participating business, shall be allowed to do only a non-participating business in Massachusetts. The committee could state no reasonable ground for its view, and its action must be attributed to a dislike to change existing conditions and cut off the privilege that one of the large life insurance companies is exercising in Massachusetts and elsewhere and which it desires strenuously to maintain.

It was pointed out to that committee that the committee of fifteen, which was a result of the conference of Governors, Atorney-Generals and Insurance Commissioners in Chicago in 1906, provided

in its draft of new statutes recommended for enactment by the various States, that no company be allowed to do both a participating and a non-participating business; that some of the States having a large number of life insurance companies adopted this recommendation for their domestic companies, among which were New York, New Jersey and Massachusetts; that some of the other States neglected or refused to adopt it for the government for their companies, which neglect or refusal gave them an opportunity to go into the States above named and do both kinds of business, while the domestic companies of those States were confined to one kind, a result which discriminated in favor of foreign companies. It was also pointed out that a Massachusetts committee, appointed by the Governor to examine the insurance laws of the commonwealth and recommend such changes as it thought ought to be made, reported in favor of a law which would prohibit the transaction by domestic companies of both kinds of business.

To offset this no authority was produced which showed that any disinterested investigation had ever been made which resulted in any other deliberate verdict in respect to this question than that a life insurance company should not operate these two lines of insurance.

It was also pointed out to the legislative committee that there are probably fifty stock life insurance companies in this country which have come into existence within the past few years, and are not admitted to Massachusetts; that if they were eligible for admission in other respects, they could come in and write both participating and non-participating policies, although they might maintain no separation of accounts for the two classes. If the stock premiums proved too low by reason of a large mortality or otherwise, the profits in the other class which pays the larger premiums would be used to make up for the too small premiums of the stock class, just as now the excess contributions of the level premium class in some fraternals are being used to pay the deficiencies in the contributions of another class. It was further shown that this could not be wholly cured by separation of the accounts of the two departments of business for the reason that the two departments constitute but one corporation, and if the conditions become so bad as to require a receiver, the excess funds contributed by one class of the insured would have to go into the pool to pay the losses due to the deficient contributions of the other. With small and weak companies this is a real danger, and there is no good reason why it should be allowed to exist in order to permit one or two old companies to continue in their course, especially when the permission gives them an advantage over other companies.

Thus far my allusion has been chiefly to life insurance companies. The argument for restricting fire insurance companies in the same way is just as potent. No mutual fire insurance company should be permitted to write both stock and mutual policies. It cannot be a strictly mutual company if it gives a part of the earnings of one class to another class. Massachusetts does not permit her mutual fire companies to be thus unmutual. But unfortunately her laws do not make it clear that unmutual "mutual" companies of other States may not transact business in Massachusetts if they are financially qualified.

On the issue that a mutual company should not be permitted to do both kinds of business it is pertinent to point out the conclusions of a joint special committee on insurance appointed to revise and amend the insurance laws of Massachusetts. Its report, made in 1907, had this statement:

"It is contrary to every principle of mutuality that a mutual company should conduct these two classes of business, differing widely in principle, and likely to work injustice either to one class of insurance or to the other, according as the non-participating policies are carried at the expense of the mutual department, or the mutual policies derive a profit from the non-participating."

I set forth in one of the reports of the Department my own views as to why both kinds of business should not be done by the same company, as follows:

"The reason for it is the obvious one that no one is wise enough to mete out exact justice to the two classes. The non-participating class have no interest in the profits of the company. Each person insured in that class pay a certain fixed premium which does not vary, whether the profits of the company are large or small. He knows what he must pay and what he is to get for this money. The participating policyholder, on the other hand, knows what he is to get, but does not know what it will cost. He has an interest in the profits of his class, and in the profits of the other class. His premium is fixed high, with a view of a saving for him. The premiums of the other class are fixed lower, and if the result be that they are too low, and the company does not receive from the policyholders in that class sufficient to pay the losses and expenses incurred directly in their behalf, and a due proportion of the general expenses of the company, the participating policyholders, who have paid more, must have their profits reduced accordingly, for the corporation is one and not two organizations, and the assets derived from the contributions of the participating policyholders can be taken to pay the deficiences in the contributions of the non-participating, if any. This contingency is remote, it may be said. True, but it exists. Every participating policyholder in a company that writes both classes of policies is subject to it, although he may not realize that fact."

The courts have said that a mutual company may issue both assessable and non-assessable policies if the premiums paid by the two classes shall be judged to be equivalents when every condition is taken into consideration, that is, if it appears that the prospect of dividends for the participating class offsets the liability to assessments, when, for instance, both classes pay the same premium for the same hazard. I, however, do not accept that view of it.

The public are not well enough acquainted with insurance problems to determine with any degree of certainty which is the better proposition, the mutual or the stock, where both are offered by the same company. There are many more chances that the rates fixed for the two classes, even by the most expert, will not prove to be equivalents than that they will. In fact, whether they will or not is a speculative question—a gambler's chance. It is as uncertain as the conflagration hazard. It has no more to recommend it than Tontine insurance by life insurance companies, where you win the stakes if you live and somebody else wins them if you die. So, here, a participating policyholder wins the stakes if there be no conflagration which consumes the surplus of the company, but loses them if he is obliged to stand an assessment, while the non-participating member saves that call for more money for the insurance which he has not adequately paid for. There is nothing mutual in this kind of insurance, and it should not be allowed to masquerade under the mutual name. It should meet the same fate as was awarded to Tontine insurance.

Estimated Dividends.

One of the most perplexing problems with which we have to deal is involved in the use of dividend estimates by mutual life insurance companies. If they are not allowed to make any forecast to prospects of future returns from surplus accumulations resulting from over-payments, then the ordinarily informed prospect will simply see a certain definite figure offered by the non-participating company and a figure considerably higher with an indefinite mention of a dividend by the mutual company. In case the agent of the mutual company states that the dividend rate of his company is now so and so, there are few prospects who could apply that rate and work out for themselves the net cost on a mutual policy for, say, twenty years. I presume there may be a few Insurance Commissioners who would want a little help about it. Naturally the prospect wants to see these figures of saving in concrete form and asks the agent to work them into shape for him. In other words, the agent takes the present dividend formula of his company and shows the prospect what, with the formula still in effect, would be the net cost of the policy year by year for twenty years. Is this misleading and thus in violation of law and morally of a scarlet hue?

Let us look at the issue in various lights: In the first place, the mutual agent and the mutual company must, like the rest of us, regard self-preservation of a law of their nature. They realize, and all of us who have thought much about the question concede, that in matching mutual first cost prices for life insurance with stock prices, the stock or non-participating policy is bound to win, other things being equal. If only first cost mutual prices may be presented the contest is a losing one for mutual companies. If, however, the first mutual cost may be reduced by a repayment of a part of the first cost computed so as to be redundant and this fact may be set forth by the agent in a concrete form, the competition is on equal terms. Otherwise it is not. Consequently there is always the temptation before the mutual agent, law or no law, to show his prospect what is likely to be the future cost of the policy, or, in other words, to estimate the dividends which will be paid on it from time to time. This is fact number one.

Fact number two is that when the agent starts on a course of estimating dividends he finds that it works so well that he is not always careful to point out the fact and to keep clear in the mind of the prospect that his figures are worthless unless the company retains a dividend formula which distributes as much as the present one. He does not clearly distinguish between the guaranteed amounts which pertain to the policy and those other amounts which are of a fortuitous character. You have doubtless seen cases where a strict analysis of the English used in the illustration would show that the language was that of an estimate, but the spirit and intent of it was to make it appear to be a promise, or at least, a settled fact. The one purpose of such construction must be to furnish a way to argue out of the results of a promise if occasion should ever arise for such argument, taking the chance meanwhile that the implied promise would have sold the goods.

Fact number three is that there is a certain amount of information that the agent of a mutual company can give with reference to dividends and no one can deny that right. He can state the rate of dividends now being paid by his company. He can state the rate of dividends that have been paid by his company. He can take a policy that has completed a period of years and show what

dividends have been credited to it. This he can do, but it is a sort of left-handed way, and, moreover, would in some cases show results that the company has no hopes of duplicating in the future.

Now, in view of these facts, what is the reasonable ground for Insurance Commissioners to take whose purpose is to help companies in all legitimate ways, showing partiality to no class and working for the best good of the insuring public. I take it that our concern is to see to it that the public is not misled and that in that one statement is the kernel of this whole issue. How can we keep the agent of a mutual company from presenting figures which are misleading? It will not do it to prohibit all estimates, for actual experience with a policy may be shown which would be further away from present facts than what any estimate would be likely to be. My solution for the difficult problem is this: Agree with the companies upon a form which can be used for submitting figures that is so clear in its language that no one can be misled into supposing for an instant that the results figured out are promises or near promises, but simply statements of what will be the result if the company continues to distribute its surplus at the same rate that it is now distributing it, with no prediction that the company will keep up the rate.

Gentlemen, those are some of the problems that have come before the Massachusetts Department and I submit them to you. (Applause.)

The next thing on the program is the call of committees.

Member: Mr. President, the representatives of Maine have arrived, Messrs. J. W. Blunt, Insurance Commissioner, and I. E. Lang, Deputy Insurance Commissioner.

ROLL CALL OF COMMITTEES.

The roll of committees was called by the Secretary and hour of meeting for each committee was announced by the several chairmen.

The Secretary: There have been some changes in committees. I would be very glad if the chairmen of the committees would announce places and hours of meetings of the various committees.

(This was done accordingly.)

MEMORIAL COMMITTEE.

Mr. Willard Done, Commissioner of Insurance of Utah: Mr. Chairman, the very sad duty devolves upon me, in the absence of the Colorado Commissioner, or any one from his department, of announcing the death of Ex-Commissioner Clayton of Colorado. I make the usual motion that a committee be appointed by the President to draw up suitable resolutions in respect to his memory.

The resolution was passed unanimously and the President appointed the following committee:

Commissioner Willard Done, of Utah; Commissioner James R. Young, of North Carolina, and Commissioner Robt. J. Merrill, of New Hampshire.

The convention then adjourned at 12 m. until 10 o'clock a. m. of the following day, Wednesday, July 30th, 1913.

SECOND DAY

MORNING SESSION.

WEDNESDAY, JULY 30, 1913, 10 A. M.

The convention was called to order by the President at 10 o'clock a. m., July 30, 1913.

The President: The Secretary has one or two communications he would like to read and one or two announcements to make to the convention.

The Secretary: Gentlemen, since the meeting yesterday there have been some additional representatives who have arrived, as follows:

Mr. I. S. Lewis, of Kansas.

Mr. J. Will Taylor, of Tennessee.

Mr. Frank DeSouza, of Arizona.

Mr. A. E. Ham, Inspector of Insurance of Manitoba, Can.

Mr. Charles Revelle, of Missouri, and

Mr. L. A. Anderson, of the Wisconsin Department.

I have a communication from Commissioner Potter of Illinois expressing his regrets at his inability to attend, and saying that while he is not seriously ill his physician will not permit him to leave his bed until some time next week. He has very kindly sent two papers, which will be read at the proper time.

Mr. Done, of Utah: If proper at this time I ask that the Secretary be asked to communicate with Mr. Potter and express our appreciation of his action in sending the papers and our regret at his inability to be present.

Mr. J. R. Young, of North Carolina: Mr. President, I move that we express our appreciation of the presence of the two representatives from Canada, Colonel Gunther, of British Columbia, and Mr. Ham, of Manitoba, and extend to them the courtesies of the floor.

The motion was unanimously adopted.

The Secretary: Mr. President, I have the following communication:

(Reads.)

The following communication was received and read by the Secretary:

To the President of the Convention of Insurance Commissioners, Burlington, Vt.

Dear Sir: The time has arrived when the salaries paid in the home offices of the life insurance companies ought to be investigated. Men capable of honestly earning not more than $2,500 per year are being paid from $10,000 to $50,000 per year as officers of life companies.

Respectfully,

JOHN C. PRESTON.

Milwaukee, Wis., July 26, 1913.

(Laughter.)

The President: Gentlemen, you noted probably there is nothing in the programme *with regard to executive sessions.* Whenever any Commissioner has any matter that he wants to take up in executive session it is open to him to move for an executive session.

Has the Committee on Credentials anything to report this morning?

Mr. Forsythe, of Wyoming, Chairman of Committee on Credentials: Your Committee on Credentials respectfully recommends that the roll call as rendered by the Secretary be accepted as the official roster of the convention and that the representatives here from Canada be allowed all the rights and privileges of the convention.

The report of the committee was adopted.

The President: The first thing on our programme for today is the *discussion of the agency question.* The first topic is Qualifications of Agents, to be discussed by Hon. Robert J. Merrill, of New Hampshire. I have the pleasure of presenting to you Mr. Merrill. (Applause.)

QUALIFICATION OF AGENTS.

By Hon. Robert J. Merrill, Insurance Commissioner of New Hampshire.

Mr. Merrill: Mr. President and Members of the Convention, I used to be an insurance agent before I became an insurance commissioner. I was somewhat surprised when I became an insurance agent to find that it was necessary that some qualifications should be possessed before I could make a great success in that calling. And again I have found some qualifications necessary as I have moved up the line. So perhaps it is well enough that I should speak to you generally on the line of the Qualification of Insurance Agents.

(The full text of Mr. Merrill's paper will be found in the Appendix.)

The President: The next paper on the programme is with reference to the supervision of agents. *Hon. Henry D. Appleton, of New York,* will read a paper on *health and accident agents.* (Applause.)

(The full text of Mr. Appleton's paper will be found in the Appendix.)

The President: One of the most loyal and efficient members of this convention is the Hon. J. L. Bleakly, of Iowa. He is unable to be present, but he has sent a letter and sent his paper on Fire Insurance Agents.

This letter and paper referred to were read by the Secretary.

The President: The next paper on the programme is that of the Hon. John T. Winship, of Michigan, on Life Insurance Agents.

SUPERVISION OF LIFE INSURANCE AGENTS.

By Hon. John T. Winship, Insurance Commissioner of Michigan.

Mr. Winship: Mr. President and Gentlemen of the Convention, I approach this subject with some degree of misgiving because I consider this subject, to my mind, the most important of the three; and

your committee has assigned it to an absolutely new member of this convention, one who has scarcely warmed his official seat; and I am to discuss this before gentlemen whom I would like to call the battle-scared veterans of insurance supervision, but in my brief association with you I have not discovered any scars yet.

(The full text of Mr. Winship's paper will be found in the Appendix.)

The President: This subject of the supervision of agents will be still further continued by a presentation of a summary of the several State laws as set forth on the programme. The Commissioner of Connecticut will give us a summary of the laws of that State with respect to the supervision and control of agents,—*Mr. Burton Mansfield, of Connecticut.* (Applause.)

(The full text of Mr. Mansfield's paper will be found in the Appendix.)

The President: Commissioner Potter, as you have learned, has not been able to be here on account of illness, but he has sent his paper in regard to the laws of Illinois, which the Secretary will now read.

The Secretary then read the paper.

(The full text of Mr. Potter's paper will be found in the Appendix.)

The President: The next on the programme is Massachusetts; and at the outset I wish to say that the laws of Massachusetts provide for the licensing of agents and brokers; and the distinction between the two to be kept clearly in mind. An agent may act only for the company for which he is licensed. A broker may place with a domestic company or broker of the agent of a foreign company any insurance business that is authorized in Massachusetts.

(The full text of President Hardison's paper will be found in the Appendix.)

Mr. John T. Winship, Insurance Commissioner of Michigan: Mr. Chairman, when I looked over the programme that was sent to me I rather had an idea that probably I was covering this subject in my paper, but I see that it has assumed a broader phase, and correctly so, as I read it carelessly, and I am going to ask Mr. Orr, my deputy, to say what Michigan has to say as we have prepared no specific or formal digest of our insurance laws.

By Hon. H. P. Orr, Deputy Insurance Commissioner of Michigan.

Mr. H. P. Orr: The general insurance laws, agents' law, is very similar to the Connecticut law. We have a law which says that any person who directly or indirectly assists any company, authorized company, in placing any business or transacting any business is the agent of the company and must be in possession of a license from the Department, before he can trasact that business.

The law then proceeds to state how this license shall be procured. The company must make request upon the Department for the license, giving the name of the agent and his residence, and thereupon the

Commissioner issues his formal certificate reciting that the company is authorized, and also reciting who they are and naming the agent.

That license continues with the license of the company. When the license of the company expires the license of the agent expires. There is no charge made for the agent's license in Michigan, except upon a retaliatory basis. There is also no distinction in the Michigan law between the classes of agents, no distinction between a general and special agent and solicitor or broker. In fact, our Michigan law fails to recognize in any way the broker in the business.

We also have a so-called "Resident Agent's" law, which, under the Attorney-General's ruling, is practically ineffective. The law states that no unauthorized company shall place or cause to be placed any contract of insurance in the State of Michigan except through a licensed resident agent. The Attorney-General has ruled that that does not prohibit the Department from licensing a non-resident agent; nor does it prohibit a non-resident agent from soliciting business provided the business passes through a local or resident agent.

The question of misrepresenting is covered with reference to all agents in practically the same manner as was outlined in Commissioner Winship's paper with reference to life agents.

Up to this present year our misrepresentation law required, first, that when complaint was made against an agent he should be proceeded against criminally. The Department had no legal authority to take any legal action except to lay the matter before a prosecuting attorney, and after conviction the Department could then have his certificate of authority revoked. There is, however, in the general agency law an implied right in the Commissioner to revoke the license of an agent for cause.

To revert to the original proposition, if a company fails to secure a license for an agent and that agent transacts any business the company is liable to the State in a penalty of ten dollars for each and every application that is written. And in some cases that we have had before the Department that has amounted to quite a considerable sum.

The agent is also liable in addition to the penalty placed upon the company, the agent is liable to criminal prosecution and is punished for a misdemeanor.

These propositions apply generally to all classes of agents. We do not, however, require any license or in fact have any control to speak of over the representatives of fraternal beneficiary societies, this being the only class of insurance agents that the Department does not supervise.

In the matter of qualifications the Department has no legal right to inquire. The license issues and then, of course, if any violations of the general insurance laws occur the Department then has its action. Of course, after the 15th of next month the right of the Department to investigate and take action is as outlined in Mr. Winship's paper.

There is also nothing in the law that gives the Commissioner at the present time any right to refuse to license an agent because he is the representative of another company. But following the lead of New York we have instituted a plan there of notifying the company for whom an agent is working whenever another company asks for a license for that agent. That has been in practice now for about six months and in all that time we have only had one case where there was any question as to the licensing of the agent for the other company. In that case we found after investigation that the man was to represent a different line for the different companies, and, of course, there was no objection to the licensing of the agent.

That in general constitutes the legal rights of the Department with reference to agents in Michigan. (Applause.)

The President: The next State on the programme is Mississippi. We will now have the pleasure of hearing from Colonel Henry.

Commissioner Henry:

(The full text of the remarks made by Commissioner Henry will be found in the Appendix.)

The President: North Carolina is the next State on the programme. It gives me pleasure to present Colonel Young, Commissioner of North Carolina.

Commissioner Young:

(The full text of the paper read by Commissioner Young will be found in the Appendix.)

The President: We will now hear from South Carolina.

Commissioner McMaster, of South Carolina:

(The full text of the paper read by Commissioner McMaster will be found in the Appendix.)

The President: Commissioner Button, we will hear from you.

Commissioner Button, Insurance Commissioner of Virginia, stated that a paper would be read by Mr. Malvern Hill, his chief clerk.

By Hon. Malvern Hill, Chief Clerk of the Insurance Department of Virginia.

(The full text of the paper by Mr. Malvern Hill will be found in the Appendix.)

The President: Commissioner Darst, of West Virginia, is next on the programme.

Mr. Darst: Mr. Chairman and Gentlemen, I expected that the ground would be fully covered before my name was reached, for which you are no doubt thankful. I will only take three or four minutes of your time.

(The full text of Mr. Darst's paper will be found in the Appendix.)

Commissioner Dart, at conclusion of his paper, continued:

I believe, gentlemen, next in importance of the legislation in West Virginia, next in importance to the Blue Sky law itself, is the fact that the Insurance Commissioner has some control over the agents in West Virginia is of vital importance in our State.

As one of the members of this body I have had a great deal of trouble in the past by having no authority. Why, that question of over-insurance in my State is responsible for hundreds of thousands of dollars of fire waste each year. The Commissioner was powerless. He might know a man was a crook and that a fire insurance agent had no concern whatever for his company but would simply go out and over-insure property and make a bid for a fellow to burn his property in order to get the insurance.

When the legislature gives me the power to put out of business those men who go out wilfully and over-insure property it will change all that, and you will not be surprised if you hear in the future that in West Virginia of heads going in the basket after that act.

I was the father of the valued policy act in my State years ago, and the very thing in my mind, the very question in my mind was this over-insurance proposition. As I said at Spokane, every corporation that sends its agents out to do business is responsible for the agents; but here fire insurance companies send them out broadcast and let them insure people for what they want, and when losses come they get out from under the liability; probably sometimes properly so; but the people suffer. The valued policy law was to stop that thing, to see that their agents didn't over-insure property and that it would not be a bid for them to burn their property for gain. That was the object of the valued policy law.

In regard to other agents, insurance agents of all kinds, I want to say to you since this law was passed in West Virginia the insurance people have sat up and taken notice in all classes of insurance. When we had no law our hands were tied. I said to several of the companies in New York: "Will you give us the right to revoke the license of certain men if they are crooked, if they are twisting?" And I am glad to say that that power was not refused the Commissioner of West Virginia in any case. And thus bad acts were stopped at once.

And I thank God for this law that gives the Insurance Commissioner power; and I take it that he will not abuse this power; and if he does he will have to answer to his people.

Our State has not only given me power as regards insurance, but also as to selling fake stocks all over West Virginia, which has been a great territory for these men having fake stocks to sell to come in and fleece our people and carry the money away. I want to recommend to every Commissioner here to see to it in their States that they pass the Blue Sky law in their States. I do not sit there as Insurance Commissioner to pass upon whether or not the business is going to succeed or whether or not it is going to be a failure, but I have insisted in my State and do insist now that it is proper and right when a man is offering stock and bonds to the public that there should be some place in the State where if a man wants to know he can knock at the door of the Insurance Department and find out the proper information. Is it possible that in a great State like

Maryland, New York or West Virginia, where bonds and stocks are being offered to the public, that there is no place where a man can ask the nature of those bonds and stocks and get the information? All we want to give the people is the facts so that they can get them before they get the bonds. How much is water and how much are they paying for the stocks.

The President: We have now gone through the list of the States that were assigned for discussion of this question of the responsibility of agents. Is there any further discussion desired of this topic or any questions to be asked?

SUBMISSION OF CONSTITUTIONAL AMENDMENT.

Mr. J. A. O. Preus, Insurance Commissioner of Minnesota: Mr. President, I would like to present a constitutional amendment and have it read by the Secretary. Here it is.

The President: The Secretary will read the constitutional amendment offered by Mr. Preus.

The Secretary read the amendment, which is as follows:

An amendment to the constitution of the National Convention of Insurance Commissioners:

Resolved, That Article I be amended to read as follows:

"Article I. This Association shall be known as the **International** (National) Convention of Insurance Commissioners."

Article II to be amended to read as follows:

"Article II. Its membership shall consist of the Commissioner, Superintendent, or other official, who by laws is given charge of insurance matters in each State or territory **of the United States or Province of Canada**: Provided, however, That such official may delegate as his representative any person officially connected with his department who is wholly or principally employed by said department, and who is a legal resident of the State, **territory or province** wherein the department is located.

Mr. J. A. O. Preus, Insurance Commissioner of Minnesota: Mr. President, the National Association of Insurance Commissioners is an old organization, and I have no desire to have this matter passed upon in any haste. Any one that is here knows that we have with us several Commissioners from Canada at this time; and the thought occurred to me that there could be no good reason why our association might not be permitted to make these supervising commissioners of the Provinces of Canada members of the association, if they desire to join.

However, I think this matter should not be decided in haste, and I shall not call up this constitutional amendment at this convention, but will call it up at our adjourned convention in New York.

Mr. President, one other matter that I wish to call to the attention of the convention, is that we get the Laws and Legislation Committee to prepare a bill for submission to the various legislatures in regard to policy loans; that is, to insert a savings clause in all life insurance policies, granting the right of insurance companies under their policies

and making it mandatory to contain such provision therein, that they might defer the granting of a policy loan or giving the cash surrender value of a policy for a period of sixty days.

In having this amendment placed on the statute books in Minnesota the point was immediately raised by those insurance companies that were antagonistic to it, in addition to the arguments that might be adduced to the merits of the proposition, that under the reciprocal provisions in our laws that it was expedient that it should be placed on the statute books. And I apprehend that the reason that this amendment failed in so many legislatures was that there is no reciprocal provisions in the different States.

And for that reason I would ask that that be referred to the Committee on Laws and Legislation and that they be asked to draft a measure looking for such a provision to be enacted where standard provisions as to life insurance policies are on the statute books in the various States. I make a motion that this be referred to the Committee on Laws and Legislation.

The motion was adopted unanimously.

REPORTS OF COMMITTEES.

Commissioner Mansfield: If there is nothing further at this time I think we should have the reports of the committees.

The President: The reports of the committees are in order.

Mr. Mansfield: This is the report of the Special Committee on Special Deposits.

SPECIAL COMMITTEE ON SPECIAL DEPOSITS.

The National Convention of Insurance Commissioners, at its session in Spokane in 1912, appointed a Special Committee, consisting of the Insurance Commissioner of Massachusetts, the Deputy Superintendent of Insurance of New York, and the Insurance Commissioner of Connecticut, to take into consideration the matter of deposits made by the insurance companies for the special benefit of citizens in the municipalities and States where made, with special reference to the treatment of such deposits in ascertaining the financial condition of the companies.

A public meeting of this committee was held in Hartford on January 10, 1913. The meeting was widely advertised by press notices and personal letters, and was attended by representatives of all classes of insurance companies. The companies are all opposed to special deposits, some going so far as to refuse to do business in States where special deposits are required. As a result of this meeting the following recommendation was adopted:

"That for the purpose of auditing the annual statements for the year ending December 31, 1912, the special committee on special deposits recommend that a foot-note be added to such statements by the several departments, containing a list of all deposits made for special purposes, with a list of corresponding liabilities; that as for future action, the committee hopes and expects to have some definite proposition to submit to the next annual convention." In

accordance with this vote copies of this recommendation were sent to the several Insurance Departments.

A list of all deposits made for special purposes, with a list of all the corresponding liabilities summarized from the foot-notes of the annual statements for the year ending December 31, 1912, and taken from the annual report of the Connecticut Insurance Department for 1913 is hereto appended and made part hereof.

At subsequent meetings of the committee the subject of special deposits has been discussed. It is the opinion of your committee that the States and districts that require special deposits tie up part of the assets covering special deposits of companies operating in such places for the benefit of the policyholders therein. Policyholders of other States have no interest in such funds; they do not have protection equal to the protection of policyholders in States where special deposit laws are in effect, and, in addition, they do not have the protection which the statements of the companies indicate.

The deposits with the States of Alabama, Delaware, Georgia, Idaho, Louisiana, New Mexico, South Dakota, Tennessee, Virginia and Ohio (prior to April 1, 1902), together with the deposits in foreign countries, cities, towns, courts and the Canal Zone, are considered by the Treasury Department at Washington to be special in their nature.

Your committee, after due deliberation, has reached the conclusion that special deposits in excess of the corresponding liabilities should not be allowed as an asset in annual statements of insurance companies. Your committee recommends that the Committee on Blanks be instructed to formulate such changes in the blanks for business of 1914 as will carry out this conclusion.

BURTON MANSFIELD,
FRANK H. HARDISON,
HENRY D APPLETON.

FIRE COMPANIES.—SPECIAL DEPOSITS SHOWING ALL DEPOSITS NOT HELD FOR THE BENEFIT OF ALL POLICYHOLDERS.

Name of Company.	Market Value of Special Deposits made with:							‡Excess of Deposits over Corresponding Liabilities.
	Canada.	Georgia.	New Mexico.	North Carolina.	Oregon.	Virginia.	Various.	
Stock Companies of Connecticut.								
Aetna, Hartford	$254,227.14	$10,100.00	$10,300.00	$25,000.00	.....	$50,290.00	*$15,000.00	$24,985.84
Connecticut, Hartford	124,100.00	10,100.00	9,500.00	.....	.....	48,500.00	.....	40,218.93
First Reinsurance, Hartford	.....	.....	.....	.....	.....	.....	.....	.....
Hartford, Hartford	608,761.84	9,650.00	11,400.00	.....	.....	50,662.50	.....	9,664.66
National, Hartford	274,500.00	10,000.00	10,000.00	.....	.....	50,960.00	.....	570.98
Orient, Hartford	.....	9,900.00	11,300.00	.....	.....	25,250.00	.....	19,243.00
Phoenix, Hartford	294,280.00	10,100.00	.....	.....	.....	50,000.00	.....	61,751.61
Security, New Haven	.....	8,700.00	.....	.....	.....	50,010.00	.....	24,646.93
Standard, Hartford	.....	.....	.....	.....	.....	.....	.....	.....
Totals	$1,555,868.98	$68,550.00	$52,500.00	$25,000.00	.....	$325,672.50	$15,000.00	$181,081.95
Stock Companies of Other States.								
Agricultural	.....	$10,600.00	.....	$9,600.00	.....	$25,852.50	†$10,900.00	.....
Albany	.....	.....	.....	.....	.....	.....	.....	.....
Allemannia	.....	.....	.....	.....	.....	.....	.....	.....
Alliance	.....	9,100.00	.....	.....	.....	.....	.....	.....
American, N. J.	$53,168.33	10,100.00	.....	.....	.....	52,000.00	.....	$71,459.24
American Central	86,489.84	10,100.00	10,000.00	.....	.....	48,500.00	.....	67,022.47
American Druggists'	.....	.....	.....	.....	.....	.....	.....	.....
Arlington	.....	.....	.....	.....	.....	.....	.....	.....
Assurance	.....	.....	.....	.....	.....	.....	.....	.....
Boston	.....	9,930.00	.....	.....	.....	.....	.....	7,210.91
Buffalo Commercial	.....	.....	.....	.....	.....	.....	.....	.....
Buffalo-German	.....	.....	.....	.....	.....	.....	.....	.....
Caledonian-American	.....	.....	.....	.....	.....	.....	.....	.....
Calumet	9,800.00	.....	.....	.....	.....	.....	.....	1,625.04
Camden	.....	.....	.....	.....	.....	.....	.....	.....
Capital	.....	.....	.....	.....	.....	.....	.....	.....
Central National	.....	.....	.....	.....	.....	.....	.....	.....
Citizens	.....	9,650.00	.....	.....	.....	10,095.00	.....	.....
City of New York	.....	11,000.00	.....	.....	.....	.....	.....	.....

*Arizona. †Florida.

‡This excess is included in the surplus of the various companies, and may be under some circumstances taken from the funds available to pay the claims of general policyholders.

FIRE COMPANIES. SPECIAL DEPOSITS SHOWING ALL DEPOSITS NOT HELD FOR THE BENEFIT OF ALL POLICYHOLDERS. Continued.

Name of Company.	Market Value of Special Deposits made with:							†Excess of Deposits Over Corresponding Liabilities.
	Canada.	Georgia.	New Mexico.	North Carolina.	Oregon.	Virginia.	Various.	
Mechanics & Traders								
Michigan Commercial		$10,100.00						$10,100.00
Michigan								
Milwaukee Mechanics		9,400.00				$28,500.00		7,941.39
Nassau and Dutchess								
National-Ben Franklin								
National Brewers								
National Lumber								
National Union	$64,133.33	10,000.00				47,500.00		7,148.39
Newark		10,200.00				25,500.00		16,452.79
New Brunswick		10,100.00			$25,000.00	10,670.00	†$10,100.00	18,155.10
New Hampshire		9,800.00				55,500.00		28,468.25
Niagara	60,100.00	10,100.00	$10,100.00			50,715.00		44,102.05
North British and Mercantile								
Northern								
North River		11,400.00				10,950.00		11,096.75
Northwestern National	52,827.86		10,000.00			50,225.00		75,536.50
Old Colony								
Pelican								
Pennsylvania		10,100.00			53,450.00	87,545.00		81,701.45
People's National		21,000.00				50,139.00		86,779.17
Providence Washington	100,580.00	10,800.00				28,800.00		25,108.58
Queen	573,710.74	9,800.00	10,100.00			50,715.00		180,529.51
Reliance								
Rhode Island						19,470.00		9,510.31
St. Paul	188,668.75	9,700.00	10,225.00			24,250.00	‖4,575.00	86,581.09
Springfield	240,080.00	10,100.00	10,500.00	$30,300.00		58,850.00		50,407.80
Teutonia								
Teutonia Fire								
United Firemen's		9,000.00						1,496.85
United States		10,120.00				21,700.00		26,747.13
Westchester	60,600.00	10,000.00	10,000.00			16,000.00		13,260.68
Western								
Williamsburg City		20,400.00				13,355.00		
Totals	$3,202,043.13	$553,362.50	$182,675.00	$74,000.00	$129,450.00	$1,409,854.00	$158,475.00	$1,801,994.72
Grand Totals	$4,847,912.11	$621,912.50	$285,175.00	$99,900.00	$129,450.00	$1,735,526.50	$178,475.00	$1,483,076.67

†Florida. ‖Mexico.

‡This excess is included in the surplus of the various companies, and may be under some circumstances taken from the funds available to pay the claims of general policyholders.

Name of Company.	Deposits with: Canada.	Geor(	ıde with: gon.	Virginia.	Various.	‡Excess of Deposits Over Corresponding Liabilities.
Colonial Assurance						
Commerce						
Commercial Union						
Commonwealth		$10,2		$25,500.00		$23,583.72
Concordia						
Continental	$253,000.00	10,0		49,400.00		45,823.26
County						
Detroit						
Detroit National						
Equitable		10,2		19,400.00		
Fidelity-Phenix	325,093.00	30,9		48,450.00		72,650.54
Fire Association		10,3		39,094.50		9,672.88
Fireman's Fund		11,3		56,750.00		
Firemen's	51,339.20	10,1				16,350.28
Franklin, D. C.		10,3		12,610.00		18,219.22
Franklin, Pa.		10,3		19,000.00		408.17
German Alliance		11,2		21,200.00		
German-American	275,230.00	21,9		50,400.00		
German Fire						
Germania	51,000.00	9,8		51,058.00		54,009.83
Girard		10,0		23,750.00		11,889.85
Glens Falls		24,5	,000.00	11,000.00		12,028.63
Globe & Rutgers		10,3		20,800.00		
Granite State				9,800.00		3,208.37
Hanover		9,7		52,000.00		17,128.13
Home	374,246.00	9,0	,000.00	50,000.00	§84,000.00 †10,400.00 ‡10,000.00 ‖20,000.00	
Humboldt						
Imperial						4,004.05
Insurance Company of North America	324,253.33	10,6		51,410.00		99,681.08
Insurance Company of State of Pennsylvania	53,382.75	9,1		39,920.00		20,826.20
Jefferson		9,7		12,910.00		21,915.98
Liverpool & London & Globe		9,5				
Lumber	98,440.00	21,6			¶8,500.00	102,346.69
Massachusetts						

§Cuba. †Florida. ¶South Carolina. ‖Mexico.

‡This excess is included in the surplus of the various companies, a claims of general policyholders.

s taken from the funds available to pay the

ERRATA

Pages 38 and 39 should be transposed as to position. There should be a paragraph sign before the $10,000 in the column headed "various", opposite the name of the Home Fire Insurance Company. This item refers to South Carolina.

FIRE COMPANIES.—SPECIAL DEPOSITS SHOWING ALL DEPOSITS NOT HELD FOR THE BENEFIT OF ALL POLICYHOLDERS.—Continued.

Name of Company.	Market Value of Special Deposits made with:							‡Excess of Deposits Over Corresponding Liabilities.
	Canada.	Georgia.	New Mexico.	North Carolina.	Oregon.	Virginia.	Various.	
Mechanics & Traders								
Michigan Commercial		$10,100.00						$10,100.00
Michigan								
Milwaukee Mechanics		9,400.00				$23,500.00		7,941.39
Nassau and Dutchess								
National-Ben Franklin								
National Brewers								
National Lumber								
National Union	$64,133.33	10,000.00				47,500.00		7,148.39
Newark		10,200.00				25,500.00		16,482.79
New Brunswick		10,100.00			$25,000.00	10,670.00	†$10,100.00	13,155.10
New Hampshire		9,800.00				55,500.00		23,468.25
Niagara	60,100.00	10,100.00	$10,100.00			50,715.00		44,102.95
North British and Mercantile								
Northern								
North River		11,400.00				19,950.00		11,026.75
Northwestern National	52,827.86		10,000.00			50,235.00		75,536.50
Old Colony								
Pelican								
Pennsylvania		10,100.00			53,450.00	87,545.00		31,701.45
People's National		21,000.00				50,139.00		36,779.17
Providence Washington	100,580.00	10,800.00				38,800.00		25,198.58
Queen	573,710.74	9,800.00	10,100.00			50,715.00		130,529.51
Reliance								
Rhode Island						19,470.00		9,510.81
St. Paul	183,668.75	9,700.00	10,225.00			24,250.00	‖4,575.00	86,581.99
Springfield	240,980.00	10,100.00	10,500.00	$30,300.00		53,350.00		50,407.80
Teutonia								
Teutonia Fire								
United Firemen's		9,000.00						1,426.85
United States		10,120.00				21,700.00		26,747.13
Westchester	60,600.00	10,000.00	10,000.00			16,000.00		13,260.68
Western								
Williamsburg City		20,400.00				13,355.00		
Totals	$3,202,043.13	$553,362.50	$182,675.00	$74,900.00	$129,450.00	$1,409,854.00	$158,475.00	$4,301,994.72
Grand Totals	$4,847,012.11	$621,912.50	$235,175.00	$99,900.00	$129,450.00	$1,735,526.50	$173,475.00	$1,483,076.67

†Florida. ‖Mexico.

‡This excess is included in the surplus of the various companies, and may be under some circumstances taken from the funds available to pay the claims of general policyholders.

FIRE COMPANIES.—SPECIAL DEPOSITS SHOWING ALL DEPOSITS NOT HELD FOR THE BENEFIT OF ALL POLICYHOLDERS.—Continued.

Name of Company.	Market Value of Special Deposits made with:							‡Excess of Deposits Over Corresponding Liabilities.
	Canada.	Georgia.	New Mexico.	North Carolina.	Oregon.	Virginia.	Various.	
Colonial Assurance								
Commerce								
Commercial Union								
Commonwealth		$10,200.00				$25,500.00		$23,583.72
Concordia								
Continental	$253,000.00	10,000.00	$9,000.00			49,400.00		45,823.26
County								
Detroit								
Detroit National								
Equitable		10,200.00				19,400.00		
Fidelity-Phenix	325,093.00	30,900.00	9,200.00			48,450.00		72,650.54
Fire Association		10,350.00	21,000.00			39,094.50		9,672.88
Fireman's Fund		11,350.00	10,000.00			56,750.00		
Firemen's	51,339.20	10,125.00						16,350.28
Franklin, D. C.		10,350.00				12,610.00		18,219.22
Franklin, Pa.		10,300.00				19,000.00		408.17
German Alliance		11,200.00				21,200.00		
German-American	275,230.00	21,900.00	11,100.00			50,400.00		
German Fire								
Germania	51,000.00	9,900.00	9,850.00			51,058.00		54,009.83
Girard		10,000.00		$10,000.00		23,750.00		11,889.85
Glens Falls		24,500.00			$25,000.00	11,000.00		12,028.63
Globe & Rutgers		10,300.00				20,800.00		
Granite State						9,800.00		3,208.87
Hanover		9,700.00				52,000.00		17,128.13
Home	374,246.00	9,000.00	11,200.00	25,000.00	26,000.00	50,000.00	§$84,000.00 †10,400.00 ‡10,000.00 ‖20,000.00	
Humboldt								
Imperial			10,400.00					4,004.05
Insurance Company of North America	324,253.33	10,600.00	20,000.00			51,410.00		99,681.08
Insurance Company of State of Pennsylvania	53,382.75	9,100.00				39,920.00		20,826.20
Jefferson		9,787.50				12,910.00		21,915.98
Liverpool & London & Globe		9,500.00						
Lumber	98,440.00	21,600.00					¶8,500.00	102,346.69
Massachusetts								

§Cuba. †Florida. ¶South Carolina. ‖Mexico.

‡This excess is included in the surplus of the various companies, and may be under some circumstances taken from the funds available to pay the claims of general policyholders.

LIFE COMPANIES.—SPECIAL DEPOSITS SHOWING ALL DEPOSITS NOT HELD FOR THE BENEFIT OF ALL POLICYHOLDERS.

Name of Company.	Market Value of Special Deposits made with:							*Excess of Deposits Over Corresponding Liabilities.
	Virginia.	South Carolina.	Arizona.	Iowa.	Canada.	Cuba, Porto Rico, Mexico and S. America.	European and other foreign countries.	
Companies of Connecticut.								
Aetna	$53,073.60				$305,680.00			
Connecticut Mutual	10,532.50				109,972.99			
Phoenix	13,760.00				131,272.80			
Travelers (Life)					4,232,598.79	$76,500.00		$388,023.38
Totals	$77,366.10				$4,779,524.58	$76,500.00		$388,023.38
Companies of Other States and Countries.								
Equitable	$14,706.00				$6,260,129.81	$313,046.25	$34,254,424.54	$5,082,138.46
Fidelity Mutual	10,780.00							
Germania	27,200.00				166,660.10	189,400.00	15,923,868.95	49,612.10
Home	11,400.00	$20,000.00				10,000.00		2,027.00
Massachusetts Mutual	11,400.00							
Metropolitan	56,600.00			$12,240.00	11,508,046.08			123,591.08
Mutual Benefit	10,340.00							
Mutual	10,506.20	20,000.00	$15,000.00		7,726,068.51	25,375.00	13,414,981.14	
National	11,300.00							
New England Mutual	9,400.00							
New York	50,440.00	20,500.00	15,000.00		13,374,382.82	6,523,545.82	84,168,150.18	
Northwestern	9,800.00							
Penn Mutual	10,320.00							
Provident Life & Trust	52,000.00							
Prudential	55,000.00	20,600.00			1,685,264.50			4,662.07
Reliance	54,392.00							
Union Central	25,328.13	25,000.00						
United States					280,085.53			
Totals	$430,912.33	$106,100.00	$30,000.00	$12,240.00	$41,000,632.30	$7,061,367.07	$147,761,424.81	$5,212,080.66
Grand Totals	$508,278.43	$106,100.00	$30,000.00	$12,240.00	$45,780,156.88	$7,137,867.07	$147,761,424.81	$5,600,054.04

*This excess is included in the surplus of the various companies, and may be under some circumstances taken from the funds available to pay the claims of general policyholders.

CASUALTY COMPANIES.—SPECIAL DEPOSITS SHOWING ALL DEP OSITS NOT HELD FOR THE BENEFIT OF ALL POLICYHOLDERS.

Name of Company.	Market Value of Special Deposits made with:									‡Excess of Deposits Over Corresponding Liabilities.
	Virginia.	Canada.	Alabama.	Delaware.	Georgia.	Louisiana.	Ohio.	Various.		
Stock Companies of Conn.										
Aetna Accident and Liability	$25,000.00									$21,919.51
Hartford Steam Boiler Inspection	30,000.00	$37,800.00								5,475.22
Travelers (Accident Department)	49,470.00									
Travelers Indemnity								Cuba	$25,500.00	
Totals	$104,470.00	$37,800.00							$25,500.00	$27,394.73
Stock Companies of Other States.										
American Bonding	$25,220.00		$50,375.00	$9,250.00	$25,250.00	$49,000.00	$35,000.00	Philadelphia, Pa.	$92,500.00	$189,498.01
								Tennessee	24,875.00	
American Credit Indemnity	48,250.00									41,588.66
American Surety		$124,300.00	51,500.00	10,600.00	25,250.00	53,000.00		Canal Zone	10,600.00	420,001.79
								Florida	49,000.00	
								Mexico	155,696.00	
								Philadelphia, Pa.	106,000.00	
								Porto Rico	10,200.00	
Continental Casualty	17,000.00									
Fidelity and Casualty	47,340.00	143,695.66					92,340.00			4,481.32
Fidelity and Deposit	36,500.00		46,250.00	9,250.00	25,000.00	53,000.00	30,000 00	Great Britain	201,281.25	336,262.77
								Cuba	25,750.00	
								Allegheny Co., Pa.,	50,000.00	
								Philadelphia, Pa.	92,500.00	
								Florida	50,000.00	
								Idaho	25,000.00	
								New Jersey	46,250.00	
								New Mexico	10,000.00	
								South Carolina	10,000.00	
								Tennessee	25,500.00	
								Texas	53,000.00	
								West Virginia	85,000.00	
Globe Indemnity	37,410.00									31,858.86
Illinois Surety	12,220.00		50,500.00					Tennessee	25,250.00	90,810.34
								Canal Zone	9,400.00	
Lloyds Plate Glass	13,520.00	110,729.00								29,431.38
Maryland Casualty	24,000.00									
Massachusetts Bonding					25,950.00			Philadelphia, Pa.	103,500.00	102,586.67

‡This excess is included in the surplus of the various companies, and ma y be under some circumstances taken from the funds available to pay the claims of general policyholders.

CASUALTY COMPANIES.—SPECIAL DEPOSITS SHOWING ALL DEPOSITS NOT HELD FOR THE BENEFIT OF ALL POLICYHOLDERS.—Continued.

Name of Company.	Market Value of Special Deposits made with:									*Excess of Deposits Over Corresponding Liabilities.
	Virginia.	Canada.	Alabama.	Delaware.	Georgia.	Louisiana.	Ohio.	Various.		
National Surety	$25,220.00	$52,920.00	$51,160.00					Mexico Porto Rico	$48,069.00 10,600.00	$17,544.98
New York Plate Glass	13,050.00	32,900.00								18,816.07
North American Accident								Mexico	19,500.00	4,955.16
Royal Indemnity	50,000.00				$50,500.00					70,458.83
Standard Accident	25,000.00									3,758.82
Title Guaranty and Surety	25,125.00		$10,650.00	$25,300.00				Idaho	$7,500.00	67,299.10
United States Casualty	25,250.00									10,238.52
U. S. Fidelity and Guaranty	24,930.00	216,200.00	49,400.00	9,700.00	23,350.00	46,250.00	30,800.00	Idaho New Mexico Philadelphia, Pa Pittsburg, Pa South Dakota Tennessee	23,125.00 10,000.00 88,706.50 46,250.00 51,250.00 25,625.00	184,951.58
Totals	$450,035.00	$680,744.66	$229,185.00	$49,450.00	$150,100.00	$251,750.00	$187,640.00		$1,611,927.75	$1,620,061.04
Stock Companies of Other Countries.										
Employers' Liability	$10,175.00							Porto Rico	$10,800.00	
General Accident, Fire and Life	13,175.00									$5,374.00
International Reassurance										
London Guarantee and Accident	12,625.00									2,924.74
Ocean Accident and Guarantee	12,602.00									
Totals	$48,577.00								$10,800.00	$8,298.74
Grand Totals	$603,072.00	$718,544.66	$229,185.00	$49,450.00	$150,100.00	$251,750.00	$187,640.00		$1,622,727.75	$1,628,359.78

*This excess is included in the surplus of the various companies, and may be under some circumstances taken from the funds available to pay the claims of general policyholders.

The report was adopted unanimously, upon motion of Commissioner Mansfield.

Commissioner W. T. Emmet, of New York, presented the following report:

REPORT OF THE SPECIAL COMMITTEE APPOINTED BY PRESIDENT HARDISON TO ASCERTAIN THE FEASIBILITY OF HAVING FIRE INSURANCE COMPANIES ADOPT A UNIFORM SYSTEM OF CLASSIFYING THEIR EXPERIENCE.

To the National Convention of Insurance Commissioners:

The Special Committee on the Classification of Fire Insurance Experience submits the following report:

Pursuant to the resolution of the executive committee passed at the national convention of 1912, the special committee appointed by the president to ascertain the feasibility of requiring the adoption by fire insurance companies of a uniform system of classifying experience, held two sessions in the city of New York on Friday, November 15, 1912, and a third informal session in the same city on Monday, December 2, 1912.

At the first session the full committee was in attendance, together with several representatives of the New York Insurance Department, whose time has been given in an investigation of the subject. Mr. Emmet stated that the progress made had been in substance merely an exchange of views between the underwriters and the New York Department. The committee considered a memorandum prepared by the New York Department, together with briefs and letters submitted by a special committee of the National Board of Fire Underwriters. After a general discussion the committee adjourned to the afternoon, at which session the same gentlemen were in attendance, together with Messrs. Richards, Stoddard, Shallcross and Brown, representing the National Board of Fire Underwriters.

Arguments were heard and the question discussed at considerable length, the underwriters expressing their firm conviction that tables showing classification of experience would be of no practical value as a basis for establishing equitable rates.

The session of December 2d was informal in character, and no business of particular moment was transacted.

Your committee believe that further study of the practicability and value of classified experience is essential before any definite recommendations can be made in the direction of either favoring or rejecting the adoption of a uniform system of classification. We have no hesitation in saying, however, that we have been impressed with the thoughful expressions on this subject contained in the address delivered today by President Hardison. To the end that the matter may be further considered, we ask that the committee's existence be continued.

Respectfuly submitted,
W. T. EMMET,
HERMAN L. EKERN,
BURTON MANSFIELD,
JAMES R. YOUNG.

REPORT OF THE SPECIAL COMMITTEE APPOINTED BY PRESIDENT HARDISON TO CONSIDER A REVISION OF THE STANDARD FIRE INSURANCE POLICY.

To the National Convention of Insurance Commissioners:

The Special Committee on the Revision of the Standard Fire Insurance Policy submits the following report:

For some considerable time, discussion has been given to the question of devising a uniform fire insurance policy which might be used in all the States of the Union and which would overcome certain objections raised against the form known as the "Standard Fire Insurance Policy of the State of New York." This latter form was adopted by the State of New York through legislative enactment in the year 1886, and with certain minor modifications is used in some thirty States. It seemed, therefore, quite fitting that any change in the form or provisions of an important contract in such general use, should have its inception in the State of first adoption.

Having in mind the widespread interest in any such undertaking, and its effect upon the business of fire insurance in the United States, the New York Insurance Superintendent, in his annual report to the Legislature, dated February 3d, 1913, suggested that any revision of the present standard policy be carried on in conjunction with a committee of the National Convention of Insurance Commissioners. Acting on such suggestion the Senate, on the 13th day of February, 1913, passed a resolution directing the Superintendent of Insurance of the State of New York to submit to the National Convention of Insurance Commissioners a request that a committee be appointed to investigate the necessity of changing the present form, and to recommend such changes as the committee might deem advisable, for the purpose of having the Legislature of the State of New York enact the necessary legislation to carry such recommendations into effect. The resolution passed by the Senate was concurred in, without amendment, by the Assembly on the 21st day of February, 1913, and reads as follows:

"**Resolved**, That the Legislature of the State of New York respectfully directs the Superintendent of Insurance to submit to the National Convention of Insurance Commissioners a request that a committee be appointed to investigate the necessity for any changes in the standard form of fire insurance policy and to recommend as soon as possible such changes as in the opinion of the committee may be necessary, to the end that the Legislature of this State may enact appropriate legislation to carry such recommendations into effect."

On the passage of the joint resolution the New York superintendent at once requested the Hon. Frank H. Hardison, President of the convention, to appoint such a committee. Mr. Hardison, acting without delay, designated to act as a committee of five the following named Commisioners:

Hon. William T. Emmet, New York.
Hon. James R. Young, North Carolina.
Hon. Charles Johnson, Pennsylvania.
Hon. Burton Mansfield, Connecticut.
Hon. Herman L. Ekern, Wisconsin.

The action of President Hardison in appointing the above named committee was formally ratified by the convention at its adjourned meeting in April last held at Chicago.

Arrangements were at once made for a meeting of the committee, which was held in the City of New York on March 14th,

1913. Previous to such committee meeting the National Board of Fire Underwriters designated a sub-committee of its Committee on Laws to confer and co-operate with the Superintendent of Insurance of New York in respect to any work of revising the policy form. This committee, as such, did not so co-operate, but on the invitation of the New York Superintendent, Mr. David Rumsey, of the Continental Insurance Company, and Mr. Cecil F. Shallcross, of the Royal Insurance Company, were requested to lend their valuable aid and assistance to the committee in the formulation of an amended policy. These gentlemen, acting on such request, and with the full approbation of the Law Committee of the National Board, prepared with much care and deliberation a tentative draft, and such draft was submitted to the committee at its first meeting on March 14th.

At such meeting there were present Commissioners Young, Mansfield and Emmet, Deputy Commissioner McCulloch, of Pennsylvania, Chief Guerin, of the New York Fire Department, and Messrs. Shallcross and Rumsey. The Wisconsin Commissioner was unable to attend. At the commencement of the proceedings Chief Guerin submitted for the consideration of the committee a brief recommending the adoption of the iron safe clause, a requirement calling for a written application on the part of the assured and an examination by the company of the property to be insured. The several recommendations were subsequently embodied in a bill introduced in the Assembly by Assemblyman Walker, which, however, failed of passage. The New York Department was not convinced that the provisions of the bill, if enacted into law, constituted the proper remedy for the prevention of incendiarism, which was the main object sought by the New York Fire Department. Chief Guerin withdrew after reading his brief, and the committee thereupon carefully discussed and considered the makeup of the proposed new policy, comparing with the present standard form each of its many provisions. Arguments were heard for and against the inclusion of new matter, the exclusion of old matter and the rearrangement of such provisions of the present form which the test of time had demonstrated as absolutely necessary of retention. Several changes were agreed upon, but the committee was unable to conclude its deliberations and adjourned for a further conference to March 24th. At this subsequent meeting the same gentlemen attended, except Chief Guerin. The committee continued its work, finally agreeing upon a form which was considered to meet the most important objections against and to be a substantial improvement over the present policy.

A report was drafted and signed by the several members of the committee, reading as follows:

"We, the undersigned, having been requested by the Hon. Frank H. Hardison, Insurance Commissioner of the State of Massachusetts, to consider the question of preparing a new form of standard fire insurance policy suitable for adoption by the Legislature of the several States, and having met in conferences upon this subject, and having agreed upon a new form of standard fire insurance policy as satisfactory to us, a copy of which is hereto annexed, do hereby express our approval of the said annexed form and our belief that it is a substantial improvement over the form now in use in New York and other States in the degree of protection it gives the insured and in the simplicity of the phraseology employed. We express it as our personal opinion that the adoption of this

form of policy by the Legislatures of the several States would materially improve some of the existing conditions in the field of fire insurance.

"W. T. EMMET,
"Superintendent of Insurance of New York.
"JAMES R. YOUNG,
"Insurance Commisioner of North Carolina.
"CHARLES JOHNSON,
"Insurance Commissioner of Pennsylvania.
"BURTON MANSFIELD,
"Insurance Commissioner of Connecticut."

Dated New York, March 24th, 1913.

The New York Superintendent, on date of March 29th, 1913, transmitted to the Governor a communication referring to the above quoted action of the committee and enclosing a copy of the form agreed upon. In such communication the Superintendent stated his willingness to co-operate with the Governor in furthering such legislation as would be necessary to enact into law the recommendations of the committee. However, in view of the fact that expressions of opinion from outside sources were not yet obtainable, and because certain other amendments to the insurance law important in the consideration of the subject would require attention, and for the additional reason that other legislation of a pressing character was pending before the Legislature, it was decided that no attempt should be made this year to pass a bill amending the present standard form.

An important, if not the principal objection to the present form, which has come before the notice of this committee, refers to the provision as to the appointment of appraisers in the settlement of a disputed loss. Under existing conditions a loss settlement may be delayed indefinitely should the respective representatives of the assured and the company fail to agree in the selection of an umpire. The proposed form provides that on the failure of the appraisers to agree in the selection of an umpire within fifteen days' time, "such umpire shall be selected by the State official having supervision of insurance in the State in which this policy is issued." Recognizing the real need of a statutory provision to cover this point, and the inadvisability of delay in effecting a remedy for existing conditions, the New York Superintendent prepared, for introduction in the Legislature, a bill which was passed, becoming effective on July 1st, 1913. This law, known as Chapter 181 of the Laws of 1913, provides, in the event of the failure of appraisers to agree upon an umpire for a period of ten days, either the insured or the company may make application "to any court of record in the county in which the property is or was located on five days' notice in writing to the other party of his or its intention so to do, to appoint a competent and disinterested umpire." The law further provides that "no policy of fire insurance shall be hereafter issued on property located in this State, unless the foregoing provisions of this section shall be printed on or attached thereto under the following title: 'Provisions required by law to be stated in this policy.'" Pending the adoption of a revised policy contract through legislative action, this law will temporarily serve to correct the defective appraisal conditions of the present form, in so far as New York is concerned.

In order that the proposed form might be brought to general notice, the New York Insurance Department had printed a supply of 1,500 copies, distributing them in such numbers as to place a

copy or copies in the hands of each Insurance Commissioner, the executives of fire insurance companies throughout the United States and Canada, the representatives of large insurers and others. Accompanying each copy was a letter inviting criticism and suggestions, to the end that such criticism and suggestions might have the attention of the committee in its future deliberations if it is the sense of this convention that the committee be continued, so that on its final adoption the new form might embody all the essential corrective features which the experienced thought of the insuring community should approve. A very large number of replies were received by the New York Department, many in entire approval of the committee form, and others containing suggestions relating to certain clauses which it may perhaps be found wise to adopt.

The amended form which has been approved by this committee, in the employment of a simpler phraseology, the elimination of repeated words and phrases, and in its amended construction and general makeup, effects a reduction of 395 words in the present policy. It is so arranged that each of its provisions is shown under a special caption and so divided that an assured may readily discern the particular features of the policy with which he should be familiar before the occurrence of a loss, and those he should have knowledge of in order to protect his interests after a loss has occurred. It is a simplified contract and in such respect will do away with one of the chief objections to the present form.

The committee well recognizes the fact that uniformity of opinion upon all of the varying provisions of a fire insurance contract is well-nigh impossible. It is difficult to fit the judgment of one schooled in the interests of the fire insurance corporation to that of an assured or his representative desiring the full protection of a contract based on equity. Therefore, no further prolonged discussion and consideration of this subject is thought advisable, but it is respectfully recommended that the present committee be continued for the purpose of making such further changes in the form submitted as it may deem proper upon an investigation and analysis of the several suggestions contained in communications upon the subject received by the New York Department. It is further recommended that the committee be prepared to make its final report to the adjourned meeting of this convention to be held in December, 1913, in order that legislation necessary to enact into law the finally adopted form may be obtained at the next regular session of the several State Legislatures.

A copy of the form as approved by this committee is attached to this report.

Respectfully submitted,
W. T. EMMET,
BURTON MANSFIELD,
CHARLES JOHNSON,
JAMES R. YOUNG,
HERMAN L. EKERN.

Dated July 29th, 1913.

No.....

(Space for insertion of name of company or companies issuing the policy and other matter permitted to be stated at the head of the policy.)

Amount $..... Rate..... Premium $.....

In Consideration of the Stipulations herein named

and of .....Dollars Premium

does hereby agree to indemnify.....

.....

and legal representatives, to the extent of the actual cash value (ascertained with proper deductions for depreciation) of the property at the time of loss or damage, but not exceeding the amount which it would cost to repair or replace the same with material of like kind and quality within a reasonable time after such loss or damage, such amount being ascertained without allowance for any increased cost of repair or reconstruction by reason of any ordinance or law regulating construction or repair and without compensation for loss resulting from interruption of business or manufacture, for the term of.....

from the.....day of.....19...., at noon,

to the.....day of.....19...., at noon,

against all DIRECT LOSS AND DAMAGE BY FIRE, except as herein provided,

to an amount not exceeding.....Dollars,

to the following described property while located and contained as described herein, or pro rata for five days at each proper place to which any of the property shall necessarily be removed for preservation from fire, but not elsewhere, to wit:

(Space for description of property.)

This policy is made and accepted subject to the foregoing stipulations and conditions, and to the stipulations and conditions printed on the back hereof, which are hereby made a part of this policy, together with such other provisions, stipulations and conditions as may be endorsed hereon or added hereto as herein provided.

In Witness Whereof, this Company has executed and attested these presents.

(Space for date and for signatures and titles of officers and agent.)

Fraud, Misrepresentation, Etc.—This entire policy shall be void if the insured has concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof; or in case of any fraud or false swearing by the insured touching any matter relating to this insurance or the subject thereof, whether before or after a loss.

Property Which Can Not be Insured.—This policy shall not cover accounts, bills, currency, deeds, evidences of debt, money, notes or securities.

Chattel Mortgage.—Unless otherwise provided by agreement in writing added hereto this Company shall not be liable for loss or damage to any property insured hereunder while incumbered by a chattel mortgage, and during the time of such incumbrance this Company shall be liable only for loss or damage to any other property insured hereunder.

This entire policy shall be void, unless otherwise provided by agreement in writing added hereto.

Ownership, Etc.—If the interest of the insured be other than unconditional and sole ownership; or if the subject of insurance be a building on ground not owned by the insured in fee simple; or if, with the knowledge of the insured, foreclosure proceedings be commenced or notice given of sale of any property insured hereunder; or if any change, other than by the death of an insured, take place in the interest, title or possession of the subject of insurance (except change of occupants without increase of hazard); or if this policy be assigned before a loss.

Unless otherwise provided by agreement in writing added hereto this Company shall not be liable for loss or damage occurring

Other Insurance.—(a) While the insured shall have any other contract of insurance, whether valid or not, on property covered in whole or in part by this policy; or

Increase of Hazard.—(b) While the hazard is increased by any means within the control or knowledge of the insured; or

Repairs, Etc.—(c) While mechanics are employed in building, altering or repairing the described premises beyond a period of fifteen days; or

Explosives, Gas, Etc.—(d) While illuminating gas or vapor is generated on the described premises; or while (any usage or custom to the contrary notwithstanding) there is kept, used or allowed on the described premises fireworks, greek fire, phosphorus, explosive, benzine, gasolene, naphtha or any other product of petroleum of greater inflammability than kerosene oil, gunpowder exceeding twenty-five pounds, or kerosene oil exceeding five barrels; or

Factories.—(e) If the subject of insurance be a manufacturing establishment while operated in whole or in part between the hours of 10 p. m. and 5 a. m., or while it ceases to be operated beyond a perid of ten days; or

Unoccupancy.—(f) while a described building, whether intended for occupancy by owner or tenant, is vacant or unoccupied beyond a period of ten days; or

Excepted Property.—(g) To bullion, manuscripts, mechanical drawings, dies or patterns; or

Explosion, Lightning.—(h) By explosion or lightning, unless fire ensue, and, in that event, for loss or damage by fire only.

Hazards Not Covered.—This Company shall not be liable for loss or damage caused directly or indirectly by invasion, insurrection, riot, civil war or commotion, or military or usurped power, or by order of any civil authority; or by theft; or by neglect of the insured to use all reasonable means to save and preserve the property at

and after a fire or when the property is endangered by fire in neighboring premises.

Fall of Building.—If a building, or any material part thereof, fall, except as the result of fire, all insurance by this policy on such building or its contents shall immediately cease.

Added Clauses.—The extent of the application of insurance under this policy and of the contribution to be made by this Company in case of loss or damage and any other agreement not inconsistent with or a waiver of any of the conditions or provisions of this policy may be provided for by rider added hereto.

Waiver.—No one shall have power to waive any provision or condition of this policy, except such as by the terms of this policy may be the subject of agreement added hereto, nor shall any such provision or condition be held to be waived unless such waiver shall be in writing added hereto, nor shall any provision or condition of this policy or any forfeiture be held to be waived by any requirement, act or proceeding on the part of this Company relating to appraisal or to any examination herein provided for; nor shall any privilege or permission affecting the insurance hereunder exist or be claimed by the insured unless granted herein or by rider added hereto.

Cancellation of Policy.—This policy shall be cancelled at any time at the request of the insured, in which case the Company shall, upon demand and surrender of this policy, refund the excess of paid premium above the customary short rates for the expired time. This policy may be cancelled at any time by the Company by giving to the insured a five days' written notice of cancellation with or without tender of the excess of paid premium above the pro rata premium for the expired time, which excess, if not tendered, shall be refunded on demand. Notice of cancellation shall state that said excess premium (if not tendered) will be refunded on demand.

Pro Rata Liability.—This Company shall not be liable for a greater proportion of any loss or damage or of loss by and expense of removal from premises endangered by fire than the amount hereby insured shall bear to the whole insurance covering the property, whether valid or not and whether collectible or not.

Noon.—The word "noon" herein means noon of standard time at the place of loss or damage.

Mortgage Interests.—If loss or damage is made payable, in whole or in part, to a mortgagee, this policy may be cancelled as to such interest by giving to the mortgagee a ten days' written notice of cancellation. Upon failure of the insured to render proof of loss such mortgagee shall, as if named as insured hereunder, but within sixty days after such failure, render proof of loss and be subject to the provisions hereof as to appraisal and time of payment. On payment to a mortgagee of any sum for loss or damage hereunder, if this Company shall claim that as to the mortgagor or owner, no liability existed, it shall, to the extent of such payment, be subrogated to the mortgagee's right of recovery and claim upon the collateral to the mortgage debt, but without impairing the mortgagee's right to sue; or it may pay the mortgage debt and require an assignment thereof and of the mortgage. Except as stated in this paragraph, the agreement between a mortgagee and this Company shall be only as stated by rider added hereto.

Requirements in Case of Loss. The insured shall give immediate notice, in writing, to this Company, of any loss or damage, protect the property from further damage, forthwith separate the damaged and undamaged personal property, put it in the best possible order, furnish a complete inventory of the

destroyed, damaged and undamaged property, stating the quantity and cost of each article and the amount claimed thereon; and, **the insured shall, within sixty days after the fire, unless such time is extended in writing by this Company, render to this Company a proof of loss,** signed and sworn to by the insured, stating the knowledge and belief of the insured as to the time and origin of the fire; the interest of the insured and of all others in the property; the cash value of each item thereof and the amount of loss or damage thereto; all incumbrances thereon; all other contracts of insurance, whether valid or not, covering any of said property; and a copy of all the descriptions and schedules in all policies; any changes in the title, use, occupation, location, possession, or exposures of said property since the issuing of this policy; and by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of fire; and shall furnish, if required, verified plans and specifications of any building, fixtures or machinery destroyed or damaged. The insured, as often as may be reasonably required, shall exhibit to any person designated by this Company all that remains of any property herein described, and submit to examinations under oath by any person named by this Company, and subscribe the same; and, so often as may be reasonably required, shall produce for examination all books of account, bills, invoices, and other vouchers, or certified copies thereof, if originals be lost, at such reasonable time and place as may be designated by this Company or its representative, and shall permit extracts and copies thereof to be made.

Appraisal.—In case the insured and this Company shall fail to agree as to the amount of loss or damage, each shall, on the written demand of either, select a competent and disinterested appraiser. The appraisers shall first select a competent and disinterested umpire; and failing for fifteen days to agree upon such umpire, then, on request of either appraiser, such umpire shall be selected by the State official having supervision of insurance in the State in which this policy is issued. The appraiser shall then appraise the loss and damage, stating separately sound value and loss or damage to each item; and failing to agree, shall submit their differences only, to the umpire. An award in writing, so itemized, of any two when filed with this Company shall determine the amount of sound value and loss or damage. Each appraiser shall be paid by the party selecting him and the expenses of appraisal and umpire shall be paid by the parties equally.

Company's Options.—It shall be optional with this Company to take all, or any part, of the articles at the agreed or appraised value, and also to repair, rebuild, or replace the property lost or damaged with other of like kind and quality within a reasonable time, on giving notice of its intention so to do within thirty days after the receipt of the proof of loss herein required; but

Abandonment.—There can be no abandonment to this Company of any property.

When Loss Payable.—The amount of loss or damage for which this Company may be liable shall be payable sixty days after proof of loss, as herein provided, is received by this Company and ascertainment of the loss or damage is made either by agreement between the insured and this Company expressed in writing or by the filing with this Company of an award as herein provided.

Suit.—No suit or action on this policy, for the recovery of any claim shall be sustainable in any court of law or equity unless the insured shall have complied with all the requirements of this policy, nor unless commenced within twelve months next after the fire.

Subrogation.—This Company may require from the insured an assignment of all right of recovery against any party for loss or damage to the extent that payment therefor is made by this Company.

Upon motion of Commissioner Emmet the report was adopted unanimously.

Commissioner Emmet, of New York, presented the following report:

REPORT OF THE COMMITTEE ON VALUATION OF SECURITIES.

To the National Convention of Insurance Commissioners:

The Committee on Valuation of Securities submits the following report for the year 1912-1913:

In accordance with the action of the 1912 convention, there was again prepared and issued a pamphlet giving the valuation of securities owned or loaned upon by insurance companies as of December 31, 1912. The pamphlet contained 725 pages, as compared with 663 in 1912, and 589 in 1911. The number of valuations given was about 25,000. The date of issue and distribution was January 17, 1913, as compared with January 16th in 1912.

The committee again retained the services of Marvyn Scudder, Esq., of New York City, and agreed to pay to him the sum of $5,000 for the work performed by him and by his office. The general procedure followed in making the valuations was, as described on page 6 of the introductoin to the 1913 book of valuations, as follows:

"A card file is kept in the audit bureau of the New York State Insurance Department which gives information as to each security, including an index of insurance companies owning or loaning on the same. Wherever necessary, letters of inquiry as to the value of particular securities were sent to correspondents and authorities in various parts of the country over the signature of the Superintendent of Insurance of the State of New York. Using data thus obtained, together with the extensive facilities of Mr. Scudder's financial library, the values were entered upon the cards by experts of Mr. Scudder's office. From these cards the completed lists as herein printed were prepared."

The committee desires further to call attention to the following statement, also taken from the introduction to the book of valuations:

"Insurance departments desiring to have securities not previously valued included in future editions of this pamphlet should send a list of the same to the New York City office of the New York State Insurance Department, No. 165 Broadway, not later than November 1, for valuation as of the end of the year. Care should be taken to furnish a complete description in each case, including the name and location of the issuing corporation, the year of maturity and particulars as to optional redemption. The name of the insurance company owning or loaning on the security should also be furnished, together with the date acquired, the amount acquired, the name of the party from whom acquired and, except where acquired as collateral, the cost to the company."

The committee wishes to caution the general public against the use of this book as a guide for investors or for the purpose of assisting in the sale or disposal of any securities. Its sole purpose is to facilitate the valuation of the stocks and bonds held by insur-

ance companies on a fair and uniform basis and for that purpose it is believed by the committee to be well adapted.

As previously, the committee has requested the departments to contribute to the expenses of this work, and such of the departments as had appropriations available have done so. The following is a statement of the contributions received from various States and also of the payments made in connection with the work:

RECEIPTS.

Connecticut	$200.00
Illinois	300.00
Kentucky	100.00
Maine	50.00
Massachusetts	1,500.00
Michigan	100.00
Missouri	150.00
New Jersey	50.00
Ohio	200.00
Oklahoma	25.00
Oregon	20.00
Pennsylvania	500.00
South Carolina	100.00
Texas	100.00
Virginia	200.00
Washington	50.00
West Virginia	80.00
Total contributions of other State departments	$3,725.00
New York, balance to close disbursement account	3,015.62
	$6,740.62

DISBURSEMENTS.

Marvyn Scudder—contract for valuations, etc	$5,000.00
J. B. Lyon Co.—printing valuation book	1,740.62
	$6,740.62

RECOMMENDATION.

The committee believes that this work should be continued, and, therefore, asks authority to proceed this year as it did last. It is hoped that those Commissioners who have not had appropriations available in the past will ask their legislatures for such appropriations, this work being for the benefit of all the States.

Respectfully submitted,
W. T. EMMET,
JOS. BUTTON,
CHARLES JOHNSON,
C. C. GRAY,
W. C. TAYLOR.

Upon motion of Commissioner Emmet the report was adopted unanimously.

Commissioner McMaster, of South Carolina, presented the following report:

Report of Special Committee on Cost of Life Insurance, Expense Loading in Life Insurance Premiums, Compensation of Life Insurance Agents, and Segregation of Participating and Non-participating Insurance in the same company.

Your committee begs to report that it has gathered some data and considerable information, but that it is not ready to make a report. It requests that the committee be continued.

F. H. McMASTER,
W. T. EMMET,
J. S. DARST.

Upon motion of Commissioner
the report was unanimously adopted.

Address of Hon. E. F. Gunther, Superintendent of Insurance of British Columbia, Canada:

Mr. Gunther having been called upon by the members of the convention, responded as follows:

Mr. Gunther: Mr. President, when the invitation you extended to me reached me in my home on the Pacific Coast I appreciated at once its cordiality and sincerity and from that moment I had a very keen desire that circumstances connected with my department and above me would conspire to permit my attendance here.

I knew what advantage it would be to me. I knew from perusal of your proceedings on former occasions and from watching reports of your activities in the insurance press what the work of this insurance convention is and the nature and very considerable extent of the subjects it considered; and I knew at once that it would be to me a very great advantage to be present, both officially and none the less personally.

I thank you for the invitation. I thank you for the resolution which was passed this morning. And I thank many gentlemen present, many gentlemen who perhaps are not here, for kindness extended to me through correspondence in the past; and, gentlemen, I thank you for courtesies which you will extend to me in the future; because since I have come here I have become somewhat of a question mark, and I think I shall have questions to ask of several of you, which I shall not do here but will postpone to a very convenient season.

It would not be proper for me to discuss the comments and the motion presented by the Honorable the Commissioner from Minnesota a short time ago, because that is not before the convention; but I wish to say that I appreciate his proposition. I see advantages in it, and the interval before it comes up for discussion will, I am sure on our part, be taken up with consideration of it from a very favorable standpoint.

A Westerner usually has something to say of the place from which he comes. Victoria is a very attractive place in many ways. Conventions sometimes meet there. But if I were to say more on that

subject a gentleman over on my right (Mr. Ham, of Manitoba,) would consider it a violation of friendship because of something he has confided to me. (Laughter and applause.)

Gentlemen, I thank you very heartily.

Address of Mr. A. E. Ham, Inspector of Insurance of Manitoba, Canada:

Mr. Ham having been called upon by members of the convention, responded as follows:

Mr. Ham: Mr. President and Gentlemen of this Convention, I do not think my associate (Mr. Gunther) has left me very much to say. But I wish to thank you very kindly for the invitation extended to me as Commissioner of Insurance of the Province of Manitoba, and I want to express my great delight in being here.

I am always out looking for information. I am not too young to learn; and I assure you I have learned a little right here.

It has been a good deal of surprise to me to find that the leading legislatures really do not understand the importance of the position of Commissioners of Insurance. They generally think over there that we belong to some charitable institution, drawing our pay simply because somebody was unfortunate enough to nominate us for the position. But I have tried very clearly to demonstrate to them the other side of the question, and to some extent I have succeeded.

And I was just turning over in my mind how pleased I would be if four or five of the executives of the Province of Manitoba had been here this morning and heard these discussions and realized the importance of these discussions. I assure you it has been a marvel to me and I have appreciated it beyond my power of expression, and I hope I may be spared and have the pleasure of attending many more of these conventions.

Should the motion of Mr. Preus, of Minnesota, be carried through and we become members of your valuable institution, I will assure you that I will be one of the first to make application for that membership. I know that it will be very useful to me and to my work.

Now, while I do not want to be a booster, I want to extend to you one little suggestion. Colonel Gunther has intimated to you that Winnepeg is a very nice place. Winnepeg is a very nice place. I had the pleasure of meeting some of our citizens and they delegated to me the authority to extend an invitation to you to hold this convention there at any future time that you may decide, preferring 1915 or 1916. I would like to make that official invitation subject to your approval, of course.

As I say, I am not a booster, but along that line I might cite a little thing that occurred not long ago when a real estate man came up to buy some real estate. He fell into the hands of a fairly good booster. You know they are boosters as a rule. He said: "If we were just on a lake front we would be as big as Chicago in five years." The fellow said: "What size lake would you want?" He said: "Oh, I

suppose as big as Lake Michigan." The man said: "Michigan is not so very far away, and if you are as good suckers here as you are boosters you could soon suck it up." (Laughter.)

The convention then adjourned at 1 p. m. until 10 a. m, of the following day, Thursday, July 31, 1913.

THIRD DAY

MORNING SESSION.

THURSDAY, JULY 31, 1913, 10 A. M.

The convention was called to order at 10 a. m. by the President.

The President: The first thing this morning is a paper on Insurance Education by Hon. J. A. O. Preus, of Minnesota. (Applause.)

Hon. J. A. O. Preus, Insurance Commissioner of Minnesota.

(The full text of Mr. Preus' paper will be found in the Appendix.)

The President: The next paper on the programme is that of Hon. William Keating, of Montana.

Commissioner Keating: Mr. President, I did not get my paper fully prepared before leaving home, so I am not prepared, but I will send it when I get back home.

The President: The next paper on the programme is on Underwriters' Agents by Hon. Joseph Button, of Virginia.

Hon. Joseph Button; Insurance Commissioner of Virginia.

(The full text of Commissioner Button's paper will be found in the Appendix.)

The President: There is now an opportunity for the discussion of these papers, and as it is Fire Insurance Day, any discussion on fire insurance will be in order.

The Superintendent of Insurance of Illinois, Hon. F. W. Potter, has sent a brief paper on the fire insurance situation as he views it, and the Chair believes that the convention will be interested in hearing it read by the Secretary.

Paper referred to read by Secretary.

To the National Convention of Insurance Commissioners, Burlington, Vt.:

It is known to most of you that some two months ago I called upon the stock fire insurance companies admitted to the State of Illinois, which were also doing business in the States of Kansas and Texas, for a statement of fire premiums, fire losses, and expenses for a five-year period ending December 31, 1912.

I received replies from most of the companies, and a tabulation of these statements for ninety-seven companies doing business in Texas shows a loss in that State for the period mentioned, of $3,435,-745.19; and in Kansas, for the same period, an underwriting loss of approximately $500,000.00.

When I called for these statements it was my purpose—if I found the conditions as I anticipated—to communicate these results to the General Assembly of the State of Illinois, then in session, with a recommendation that some law be enacted which would clothe the Insurance Department with sufficient discretion to refuse license to companies desiring to do business in Illinois and admitted to these unprofitable States where, by the terms of the law or its necessary effect, the rate making function is taken away from the insurance companies.

Upon reflection, I concluded not to make this use of these figures; first, because I did not think it wise to submit a matter of so great importance to the Legislature near the close of its session, when it could not have that careful consideration and the mature deliberation which its importance warrants, and also because I consider the problem a general one which should not be hastily determined by any single State.

Another and more important reason for taking no action is that, in my opinion, a matter of this character, which so intimately concerns the business of fire insurance not only in Illinois, but elsewhere, ought to be the subject of consideration by this body of supervising officials, and if any action whatever is deemed advisable or expedient, it should be only after the subject has been discussed by this body and a proper and conservative course of action determined.

All forms of insurance are, in my opinion, overburdened with legislation, and it is quite remarkable that any form of this business is able to perform its functions as well and as cheaply as they are performed, under the requirements of laws so numerous and complex, not to mention the vagaries of individual opinion found amongst supervising officers.

It appears certain that when any matter of insurance importance which intimately concerns all of the States is to be seriously considered by any one of them, it should be the subject of discussion and consideration by this body of Commissioners.

The need is for uniformity of laws and of department practices governing all forms of insurance in all of the States, and every effort that this body can make to this end will certainly be a move in the right direction.

Having this thought in mind, it seemed to me unwise to present the questions involved in this tabulation to the Illinois Legislature, and that it was not only expedient, but highly essential, before taking any remedial course, to present the subject of the interstate relation of fire insurance to this body of Commissioners for your consideration.

The suggestions I make are not intended in the spirit of criticism, either of the Legislatures or of the Insurance Departments of any of the States—indeed, my only purpose is to present the economic side of the question—the interstate relation of the business of fire insurance, and the character of the fund created by the premiums paid for fire indemnity.

Just now the law of Texas vests in the State Fire Insurance Commission the exclusive right to initiate the maximum fire insurance rates in that State, and the fire insurance companies operating in Texas have absolutely nothing to say about the way in which their rates are made, or the maximum amount they shall collect for the indemnity they furnish the people of that State.

The State of Texas also shows a loss of three and a half millions in the past five years, and the insurance companies are powerless

to take any step whatever to equalize their rates or increase the premium charge.

Practically the same condition exists in Kansas and Kentucky, and in Missouri we are confronted with an insurance and a statutory chaos upon this question.

Concretely, the problem is: shall the fire insurance companies be permitted to operate in profitable States over long periods of time and collect money from the premium papers of those States for the purpose of distributing the funds so collected in States unprofitable because of statutory conditions?

I am not unmindful of the fact that proper averages for fire insurance cannot be determined except by taking into account long periods of time and wide areas of distribution, and I do not subscribe to the doctrine that any State can or should build a Chinese wall around itself insurancewise; indeed, I know of no State which desires to do so; but, unless a State is willing to do this and to say that its fire insurance rates shall be based upon its own experience, a law which prohibits fire insurance companies from taking into account the experience of the whole country and putting each State on as nearly an equitable basis as possible, is manifestly unfair.

I am fully persuaded that we shall never reach a satisfactory solution of the vexed problem of fire premium distribution until we come to a thorough appreciation of two questions, both now more or less unsettled: First, the relation of fire insurance to the State, whether it is strictly a private business exploited by private capital and for the benefit only of the individuals who invest their money in it, or whether it is a semi-public business having some of the attributes of a public service and affected by the public use or interest; and a second consideration, which depends for its resolution somewhat upon the solution of number one, namely, the character of the fund received by fire companies for the sale of fire indemnity.

The first proposition is one upon which there is a decided difference of opinion, and which seems to be a question for the courts, but, in my own opinion, the tendency of judicial opinion indicates that when the question is finally passed upon by a competent court of last resort, the law will be found to be that fire insurance is affected by the public interest and, therefore, subject to such regulation as a public use, as may be appropriate without interfering with the normal functions of the business or denying to the corporations interested a reasonable profit upon a hazardous business.

Should this view of the nature of fire insurance be sustained by the courts, and become the law of the land, it seems to me that State laws, which have the effect of making unwarranted and unfair calls upon the general fund created by the capital, surplus and premium payments into the business become matters of very vital importance to States not having such enactments.

To put the question concretely: how should the State of Ohio, producing about $13,000,000 in premiums annually, with a 43 per cent. loss ratio, look upon Texas, producing about $9,000,000, with a 75 per cent. loss ratio, and a net loss in five years of $3,500,000, with a law which renders the companies absolutely powerless to take any step whatever to provide a remedy?

I am advised that the question of increasing rates in Kansas was recently presented to the Kansas authorities, with the result that, while the officials readily admitted the necessity for the advance, in view of the last five years' experience, it was denied for reasons which I do not think need explanation to a body of more or less experienced politicians.

Some years of more or less careful observation convince me that we shall never reach any satisfactory solution of the ever-recurring question of fire premium distribution until we reach what seems to me the inevitable conclusion, that the whole fund in the hands of stock fire insurance companies partakes at least of the nature of a general or common fund upon which, in the absence of extraordinary conditions, no State has a right to make unfair or inequitable calls.

To put it in another way: no State has a right by its laws to "loot" a common fund to which all the States have made contribution.

Separate and independent State regulation of fire insurance, without taking this idea into account, means only that the States enacting the most unfair and extortionate laws will gain the most unfair advantages over sister States dealing with more fairness and justice.

In these suggestions I omit special reference to conflagrations which disturb the insurance equilibrium,—indeed, my purpose is to omit everything except the **operation of law**—my thought being directed to the action of the **State** itself in producing by law a condition which it appears must necessarily result in unfair calls upon a fund which seems to me of a general nature.

I have not been invited to present a paper upon this subject, but, after receiving these figures and considering what seems to me their proper significance, I am moved to present them to you with a few reflections upon their meaning.

I did not present them to the Illinois General Assembly because I might be charged with carrying State regulation to a limit which I believe reprehensible—indeed, by so doing, I might have put my own State in the same class with those I am disposed to criticise.

The problem is not one, in my opinion, for individual States, but is a general one, and this body of supervising officials is the proper place to submit all questions of this nature, because here is an opportunity for uniformity which is the thing now most necessary for all forms of insurance.

In my opinion, it is constantly becoming more difficult for any form of insurance to properly function under forty-eight varieties of laws, taxes and supervisory requirements, and this is the only organization that I know of where questions of uniformity of law and the general good will receive the consideration such questions deserve.

I have, therefore, thought it well to submit this problem as it impresses me, with an earnest recommendation that it have your careful thought and perhaps be the subject of consideration by a special committee, which, if it did nothing more, might give to the public some information and education which would be productive of good results.

This question I leave as a sort of final word, a legacy we may say, as I am about passing from official life.

The exigencies of partisan politics in Illinois enable me to say, as did the gladiators in ancient Rome, "Those who are about to die salute you," which also freely translated, means: "Just when an Insurance Commissioner is fit to live he must die."

Mr. J. A. O. Preus, Insurance Commissioner of Minnesota: Mr. President, I have heard only part of this paper, and that part I have heard I have enjoyed. Possibly I have enjoyed it more than the Texas, Missouri and Kansas Commissioners. In view of the fact that Mr. Potter is ill and that he has been President of this convention, I

move you that the Secretary be instructed to present to Mr. Potter in writing the appreciation of this convention.

Mr. O. S. Basford, Insurance Commissioner of South Dakota: As a fellow sufferer with my brother from Illinois I second the motion.

Mr. James R. Young, Insurance Commissioner of North Carolina: Mr. President, I do not desire to discuss the paper (of Mr. Potter, of Illinois), but it seems to me that we have heard only one side of this question, and I believe for myself, and I think for the convention, that we would like to hear from the gentlemen from Missouri and Kansas and Texas as to what is the real situation in those States.

The President: Does any one wish to discuss this question?

Mr. John E. Higdon, Actuary of the Insurance Department of Texas: It seems incumbent upon me to say something about a subject about which I know but little for two reasons. In the first place, the fire situation in Texas is in no way under the Insurance Commissioner's control; it is under the Insurance Board, and all we do with it is to license companies, and all information we have other than that is second hand.

Also anything that I can tell you will be about third hand, because I have been in the State only about two months. But I do remember a definite and terse statement made by the Commissioner some months ago, when the insurance companies were talking about leaving Texas, to this effect, that he believed the situation down there was due wholly to the companies, that he thinks they had better get a better class of agents who will inspect their risks better and who would not over-insure, that the situation down there then would not be different from any other State.

Now, as I said, I do not know anything about it personally, but I know that is his opinion, that the fault was due wholly to the companies, the way that they are doing business and the agents that they have.

Of course there is another thing down there that enters into that. I think, if am not mistaken, they have a law down there that if a company over-insures and a man goes and burns his property the company has it to pay. And that makes the rate a little bit higher.

You will find that the Texans are a peculiar class of people. They think that they have rights, and they are going to stand by them. If a man pays a premium on a $10,000 policy and his house is only worth $500 he thinks he is entitled to the $10,000 if it burns, and he is going to get it if he can.

It increases the rates and it increases the temptation to a man who is insured to over-insure; and I know the department down there thinks the difficulty is wholly due to the fact that the companies are not doing their duty.

Mr. Charles G. Revelle, Insurance Commissioner of Missouri: Mr. President, these rather discrediting references having been made to my State, and we having a situation there that is more or less of

general interest, I hope that you will indulge me to the extent of permitting me in a brief way reviewing the situation that is prevailing there, the causes that have led up to that, and the real purpose that the companies are endeavoring to achieve in my State.

Those of you whose impressions are predicated upon articles appearing in insurance journals are, I know, laboring under a delusion.

For many years we have had public complaint in Missouri as to the rates charged for fire insurance and the methods by which those rates have been fixed. Until 1895 we had no legislation seeking to regulate this subject, but by that time experience had demonstrated that it was unwise to trust too strongly to the fairness and cupidity of the fire insurance companies. So that year our legislature endeavored to remedy the insurance conditions by enacting an anti-trust statute which prohibited all combinations, understandings and contracts which tended to lessen free and full competition in the fixing of fire insurance premiums.

This continued to be the law until 1911. But notwithstanding that statute and the severe penalties prescribed for its violation, rating bureaus were retained and the companies in perhaps ninety-nine cases out of a hundred wrote their policies at rates that were fixed by the bureaus. This resulted, as it has elsewhere, in no real competition among the companies. In some instances, of course, where the risk was alluring, and numerous agents were seeking it, the rate was cut, and in many instances to such an extent that the premium charged was not compensatory to the companies.

In 1911 our legislature realized that, or believing then that competition among the companies could not be enforced, believing that the business was of such a character and nature as to make it a natural monopoly, not subject to the principles which underlie real competition, enacted a State rating act, a law known as the Oliver law. This law required the companies either singly or through an agent agency to file with the Insurance Department the rates that they proposed to charge, first their basis schedules and then their specific rates.

The companies opposed this measure in the first instance; but after its enactment they in a half-hearted way complied with its provisions. They filed their basis schedules, which were found by my predecessor, Mr. Blake, to be unreasonable, to be in many instances unreasonable, not based on sound principles of classification. And on that survey and on that basis schedule they later offered to file their specific rates.

Those rates disclosed in almost every instance a substantial increase over the rates that had been previously charged. In fact, I feel free to say that the companies' opposition to that State rating measure was such that it caused them to purposely and designedly prepare their rates in such a manner as to create dissatisfaction among the citizens of my State.

Mr. Blake, upon investigation, finding that these rates were exces-

sive and discriminatory, took the position that he would not allow them to be filed. The companies brought them to the capitol and dumped them in the hall and he had his janitor dump them out.

The companies took the position that that was a legal filing and that those were the only rates at which they could write insurance in Missouri. Mr. Blake took the position that until he approved them they were not effective..

The act further provided that upon the filing of these rates if the Superintendent found that they were not fair or were discriminatory he could make new rates. Mr. Blake, for some reason, did not take that course.

The companies began charging those rates. This caused dissatisfaction in the State, and was reflected in our legislature which convened in January, 1913, and resulted in the repeal of the Oliver law, a law which had never been given a fair trial and one which I recommended be continued for the purpose of testing it at least and seeing if it could be successfully operated.

But that law was repealed and the legislature then attempted to place them back upon a competitive basis, the same basis upon which they had operated in my State for sixteen years prior to that time. To that the companies took violent exception and went into open and defiant rebellion. And so perfect was their organization, so uniform their purpose, that within three days' time they had perfected a conspiracy, under the terms of which they agreed to suspend business operations in the State of Missouri after April 30th. And in pursuance of that a large percent. of the foreign companies did cease business in my State.

Their contention is that the legal effect of our statute is to preclude them from being governed by rates fixed by bureaus or joint agencies, and that, therefore, they cannot successfully operate there.

Now, gentlemen, if Missouri stood alone or were seeking novel innovations in seeking to apply regulations to the fire insurance business, you might ask if we had rendered it impossible for them to operate there. But for sixteen years they successfully operated in Missouri under a statute which means identically the same thing as our present statute and made no complaint of its provisions.

More than one half of the States represented in this convention have laws which seek to place them upon the same basis and which seek to prohibit them from doing the very things they say are necessary to their successful operation in my State. I say the anti-trust statutes of your States, if reasonably construed and actually enforced, would to the same extent suppress the same contracts and place their business on the same competitive basis as would the laws of my State which are being so severely criticised.

Now, why, may I ask you, gentlemen, whose co-operation I feel that I have a right to ask, why this discrimination against my State? Is it because of drastic and prohibitive legislation? Is it because my

State is an unprofitable field in which to operate? Or is their attitude attributable to some other motive? I think that all fair-minded people will agree that before their position with reference to Missouri can be justified on the grounds of hostile and adverse legislation, that legislation must be so drastic as to amount to a practical prohibition against their business. It is not sufficient that they deem our laws injudicious or unwise, because they are not as they would have them. That would not justify a withdrawal from my State. And if all citizens and branches of industry were to proceed upon the same theory a state of turmoil would ensue. No law can be enacted that does not bring some evil and bad results, no matter how beneficial its general purpose may be.

Their attitude in my State is not their fear of drastic laws. In the first place, our present law is nothing but word for word a copy of the law under which they operated for sixteen years with one additional declaratory section, a section that does not add that much (snapping his fingers) to the weight of that law, a section which merely declares what constitutes evidence when the companies are being prosecuted for a violation of that law of 1899.

When the companies were being prosecuted under the old anti-trust statute the Supreme Court held that everything that was evidence was evidence without any declaratory section. And I say that the Attorney-General of any State that has an anti-trust statute can institute a prosecution against the insurance companies upon the ground of a conspiracy and he can use exactly the same evidence that our statute says that he can use, and if he has the evidence he can convict any insurance company in any State in this Union that has an anti-trust statute.

Our Supreme Court has had occasions to deal with similar statutes to this and they have given them a reasonable construction; and by the construction which the companies say might be placed upon our laws and which they say they fear, if that construction were given our laws, it would render it unconstitutional as being violative of our organic law.

I do not want to be harsh in my criticism of them, but it is a living, breathing condition confronting me there, and I want you to understand it. In the first place, the companies withdrew from my State on the 30th day of April, although the statute of which they complained did not become effective until the 23rd day of June. They had almost two months in which they could have operated almost without any statutory regulation; and yet they ceased their operations in Missouri almost two months before that law became effective.

Now, when men start out to do things that are contrary to the ordinary ways of honest business men and we call for explanations which could be but which are not given it is natural to conclude that something is wrong.

In the second place, the companies in withdrawing began discour-

aging—began circulating through my State all kinds of literature. They opened up a publicity bureau in Chicago. They discouraged domestic companies to look after our business there. Was that essential to their withdrawal from my State if they were going in good faith? They criticised every agent in Missouri that associated himself with companies that are remaining there. They have done all in their power to bring about a chaotic condition in my State, and it is something that it is not necessary for them to do if they are withdrawing from my State from fear of the laws and in good faith.

In the next place, they refused any arrangement for re-insurance of Missouri risks when they knew that they could engage in that business profitably and without any possible fear of any law of Missouri, because Missouri laws would not reach their re-insurance arrangements. They heretofore have sought anxiously for that business, but now they refuse to engage in it. For what reason I do not know unless it be one that I shall intimate later.

In the next place, those companies were advised by their own counsel, after he had visited Missouri, after he had gone carefully into our laws and decisions, they were advised by him that they could engage safely in the contracts that they had engaged in there before and that they were engaging in in your States; that they could go ahead and do that business profitably without fear of prosecution. But they had withdrawn upon his advice and they refused to come back then.

Gentlemen, this is a long story. I cannot tell you all of it. But the companies, I want to impress upon you, can come back into my State and they can do business there profitably and successfully and just as safely as they can under the laws of your States, and they are not staying out of Missouri because it is an unprofitable field. If they are, the fault lies with them and not with the laws of my State; because from the inception of their business their rates have been absolutely of their own making. If they haven't charged sufficient rates to enable them to profitably conduct their business the fault is theirs and not with the law. And today they can come back into Missouri absolutely without any regulation so far as their rates are concerned except that they must not fix them by mutual agreement. They must refrain in other territories from fixing and maintaining rates.

The charge that Missouri has been an unprofitable field for the companies is easily refuted. That is not true. But if it is true, I say that the fault lies with the companies and not with us. If their losses are heavy, why let them make their rates correspondingly higher and we will not complain, because we are willing to pay a rate that is reasonable; but we are not willing to be held up as an object lesson and be misrepresented in the manner that we are now.

I hope that you gentlemen will realize one thing in connection with our situation there, that is what I believe to be the real purpose of the

companies. As I say, there may be some reason now for the companies doing something which they believe will check the modern-day tendency towards legislation affecting their business. Their purpose, as I read it in their attitude towards us, is to check this tendency towards future regulation and legislation pertaining to them. They are frank enough to say to us that that is their purpose—some of them, but not, of course, all of them.

We have made a law under which they may make any rate that they see fit, make it as high as they want it, without any regulation whatever on that subject.

We have invited them to return to our State and here is their demand: "Convene your legislature in special session; repeal not only your anti-trust statute, but repeal substantially every law that you have which in any manner affects the fire insurance business in Missouri." We said to them in conference: "What laws do you mean?" They said: "We want your valued policy law repealed." That is the law that has been on the statute books since 1889. They said: "We want the law of attorney's ten percent. fees for vexatious delays repealed." It has been on the books since 1865. They said: "Change your law with reference to your premium taxation; cut it down from 2 percent. to 1 percent." And in fact they have demanded that we convene our legislature in special session, make it a little piece of operating machinery to comply with the constitutional requirements, and then say to the insurance companies: "What do you want? Do the legislating for the State of Missouri. Indicate what you want. Here is a little machine for your convenience." That would be a spectacle for a Commonwealth to present that would be dignified and pleasant. It would be one that would not only warrant the citizens of my State looking upon us with scorn and contempt, but it would cause every State in the Union to do that.

We are willing for the companies to come into our State, furnish them a profitable field in which to operate. treat them fairly and equitably in every respect, but we cannot bow to their demands that they in their first instance made. And if we did, what would be the effect upon your States, when legislation was threatened in your States that was not advocated by the companies? Missouri would be pointed to as the "Missouri lesson"; give us what we want or your State will be treated as Missouri was. And if they can treat Missouri in the manner that they have been and are now treating her, what will prevent them from treating your State that way whenever the occasion demands? There is absolutely nothing. We feel, gentlemen, that in this fight we are not only fighting our own battles, that we are not only being punished for our own legislative sins, but likewise for the legislative sins of those States that you represent; and not so much because of the past and the present conditions, but in anticipation and with regard to the future to which the companies are naturally and of course properly looking.

I fear that I have imposed upon you, gentlemen, by taking this much of your time, but I wanted in a brief way to explain to you our conditions, because I do not want to appear myself or to have my fellow officials of Missouri or the citizens of Missouri to be painted as reactionaries, as opposed to progressive insurance methods. But that is the attitude that we have been placed in by most of our esteemed journals, for which I have no words of condemnation at all; I merely mention it.

I thank you, gentlemen. (Loud applause.)

Mr. E. H. Moore, Superintendent of Insurance of Ohio: We are interested in the investigation of fire insurance rates in my State. I have not read your statutes and I want to know, first, whether your valued policy law, to which you referred, refers also to personal property as well as to buildings. I am informed that your valued policy law undertakes to cover personalty as well as realty.

Mr. Charles G. Revelle, Insurance Commissioner of Missouri: That is my recollection. I have not had occasion to deal with that phase of the subject, but I am informed that it does.

Mr. E. H. Moore: And I am informed that if two or more companies impose the same rates on property that shall be considered *prima facie* evidence of combination.

Mr. Charles G. Revelle: Absolutely not. Upon proof that two or more companies are using the same book in fixing their rates that that shall be evidence of conspiracy. And I am glad that you mentioned that.

We have another statute which declares that the proof of certain things shall constitute *prima facie* evidence of certain other things. Our court had occasion to deal with that statute and construed it and they said that *prima facie* evidence as used here means competent evidence, that it does not make a *prima facie* case, but the State must go further and prove its case the same as if the words *prima facie* evidence was not in it. It says that certain things can be used in evidence, but that could be done without any statute. You need the same quantum of proof as formerly.

And that has been the construction placed upon it by the Attorney-General and myself.

Mr. Basford, of Montana: Hallelujah, praise the Lord. (Laughter.)

Mr. I. S. Lewis, Superintendent of Insurance of Kansas: I am sorry that I arrived at a time when the paper of Superintendent Potter, of Illinois, was partly completed and that I didn't hear the first part of it. But I want to say that I heard enough in reference to Kansas to at least—I will say a whole plenty, and then some. (Laughter.)

Now, I just desire to say this, that for twenty years the fire insurance companies operating in Kansas have been doing so at a profit. I will qualify that by saying with the exception of the last three years. But for twenty years the fire insurance companies made a splendid profit in our State.

This was prior to the enactment of what is known as the anti-discrimination law. During the past three years the companies, according to their sworn statements filed in the Department of Kansas, have not made any money. That is, when we accept the statements made by them that there is no profit when the loss ratio exceeds 60 per cent.

During the session of the last legislature representatives of the fire insurance companies met and made a request to the legislature that if it would give the State a Fire Marshal law that they would promise that the rates in Kansas would be reduced very materially.

In order to influence the legislature along this line many people and noted speakers and men of experience from other States were brought into Kansas to address the legislature along this line. And in this way the legislature was induced to pass a Fire Marshal law.

But soon after, however, about two months ago, I think it was, the companies came to my office through their representatives from Chicago and demanded that the Superintendent of Insurance of Kansas give them an increase in their rates. I said to them: "Gentlemen, I do not believe it would be consistent for me to grant such request at this time because of this fact, you promised the legislature of this State that if you got a Fire Marshal law—if a Fire Marshal law was passed in the State that the fire rates in Kansas could be very materially reduced, and now within the short space of two months you come in here and demand that the rates be increased before we have had any time to get a line upon the operation of the work of the fire marshal. Therefore, I do not believe it is right or consistent for me to allow an increase."

I did say, however, to the companies: "If you will classify your business and show the Department upon what classes you are losing money I will agree that I will permit an increase of rates upon that particular class; but you must do this before I shall agree to do anything of the kind." This, naturally, they refused to do.

Now, then, in regard to the reference of Mr. Potter, I desire to say that the companies have made splendid money in Kansas for twenty years prior to the last three; and I am satisfied that under the workings of the Fire Marshal law and the means that we are using in Kansas for fire protection, and prevention, that the loss ratio can be reduced to an extent that the companies can make money under their present rates.

I presume you understand pretty well the nature of our anti-discrimination law. It is a law which requires the companies to file their basis and specific rates with the department and that becomes the fixed rate unless changed by some order of the department after investigation and finding that a rate is inadequate or excessive.

In 1909 my predecessor after making an investigation came to the belief that the rates in Kansas could be materially reduced, and a

reduction was ordered. This decrease met with much opposition and criticism on the part of the companies.

But I just want to say while here that in the past three years the companies have not lost very much money in Kansas. For the past three years it has been what we might say was about an even break with the exception of the last year, 1911.

Member: What is the last ratio?

Mr. I. S. Lewis: 61 in 1912; 68 in 1911; 58 in 1910. That is about the ratio.

Now, in regard to one statement that Mr. Potter made, I really do not care to refer to that. But the charge that the reason for the refusal of the increase in rate was because of politics cannot be sustained by the facts. He should not have made that statement without knowing something more about the facts. It has always been my opinion that Mr. Potter is one of those most thoroughly opposed to our anti-discrimination law. But I want to say to you that in one instance at least anti-discrimination in Kansas has brought about a condition that is the best that was ever known in our State.

Take the condition with the agency forces of the State prior to the enactment of this law. Cut rates, and all that means, existed in Kansas. We do not have anything of that kind any more. Everything, so far as the writing of the business is concerned, is in splendid condition.

And I want to say to you, gentlemen, that I am not a candidate again, and, therefore, I do not think that politics could be, or should be charged in this case as influencing me in refusing to grant an increase in the rates.

I believe that the rates are adequate on the basis of average underwriting experience. I believe that the agency system now employed by the insurance companies in this country is bad and largely responsible for present conditions.

The question of over-insurance is a subject that should receive the attention of this convention as much as any other thing that we have before us for consideration, in my opinion. I believe that if we could eliminate over-insurance that the rates in Kansas, and in every other State perhaps,—I won't say every other State,—I won't say Illinois, because I do not know,—but in Kansas we could reduce the rates 50 per cent., is my honest judgment. And I so stated to the companies in a circular letter not long ago, that if they would use their brains, the boasted brains which they claim that they employ in the fire insurance business in this country, to bring about a better condition in the agency system, that the people of the country would enjoy a better rate and the burning up of this country would cease.

I believe, gentlemen, that is all that I have to say. (Applause.)

Mr. O. S. Basford, Insurance Commissioner of South Dakota: Mr. President, I have got my hat in my hand, but I am not going to throw it in the ring.

If you had an idea that we raised nothing but mules in the West I think you have changed your mind. If it were necessary to follow up this discussion along the lines in which it has been introduced I would throw my hat in the ring, but I do not have to. They can take care of themselves. (Applause.)

Mr. Willard Done, Insurance Commissioner of Utah: Mr. President, I am of opinion, Mr. President and gentlemen, that we cannot very well thresh this question out here. We have heard both sides. So far as the one question brought up here, the question of injustice done to States in which no rating laws are attempted by the adoption of rating laws in other States, I would move you, sir, that this question be referred to the Committee on Laws and Legislation with request that it be taken under consideration by them and some report be made at the adjourned meeting of this convention in December.

Mr. Button, of Virginia: Why not refer it to the Committee on Rates? That is the proper committee.

Mr. Done: The only reason I have for referring it to this committee is that it has under advisement the laws of the different States. However, it is immaterial to me.

Mr. Charles G. Revelle, Insurance Commissioner of Missouri: I desire to move that no action be taken upon that at all. I move that this body take no action upon that motion.

This motion of Mr. Revelle was seconded by Mr. F. H. McMaster, Insurance Commissioner of South Carolina.

Mr. J. R. Young, Insurance Commissioner of North Carolina: Mr. Chairman, I recognize that this is probably a very fruitful source of controversy and I therefore move that we go into executive session.

Mr. Willard Done, Insurance Commissioner of Utah: If this is going to precipitate discussion I withdraw my motion. I merely made the motion to get it out of the way at this time so as to bring it up at some future time.

The President: Mr. Young moves an executive session.

Mr. J. R. Young, Insurance Commissioner of North Carolina: Mr. President, I am not taking a position one way or the other on this matter, but the drift of it is taking a turn that requires that it should be discussed in executive session.

Mr. Charles G. Revelle, Insurance Commissioner of Missouri: Mr. President, of course I withdraw my substitute motion if the original motion is withdrawn. My motion is that no action be taken.

Mr. J. S. Darst, Auditor of State and *ex-officio* Insurance Commissioner of West Virginia: Mr. Chairman, I move that we proceed with the regular order of business.

The President: By general consent the two motions are withdrawn and we will proceed with the regular order of business.

Mr. Willard Done, Insurance Commissioner of Utah: As the papers have been completed so far as the regular programme is concerned, I ask unanimous consent of the convention here to permit Hon. O. S.

Basford, of South Dakota, to present a paper which he has prepared in connection with his membership on the Committee on Publicity and Conservation, as I think he is to withdraw from the convention at the close of this morning's session, and I understand also that this is his "swan song," although I understand also that he has consented not to sing.

The President: If there is no objection on the part of the convention the paper will be presented by Mr. Basford. I hear no objection and Mr. Basford has the floor.

Hon. O. S. Basford, Insurance Commissioner of South Dakota.

Willard Done, Chairman Committee on Publicity and Conservation.

Honorable Sir: I response to your request, I present a few thoughts on the topic of "The Conservation of Life and the Prevention of Accidents."

Certainly, the subject is of prime importance, not only to the insurance companies and to the insured, but to the public at large. "Conservation" is a subject much in the public mind, but so far in its discussion the public have been most enlightened upon the conservation of the purely material resources of the nation.

In the last few years, however, there has been an awakening to the important aspect of conservation as it relates to life and health.

This subject has a distinctively monetary as well as humanitarian side. This fact is made to appear very clearly in Bulletin No. 30 of the Committee of One Hundred on National Health, being a report on national vitality, its wastes and conservation, prepared by Professor Irving Fisher for the National Conservation Commission.

To the busy student, however, there can be recommended an address delivered by Professor Fisher in 1910, to the Twenty-third Convention of the International Association of Accident Underwriters.

Not only would I accredit to Professor Fisher the highest position occupied by any American writer on insurance in general, but I believe that the address, to which reference has been made, contains more clear and logical ideas relating to the need of conservation of life than any address of similar length ever presented to any body of insurance men.

It used to be a favorite remark of Mr. Buckham, late and lamented professor of the University located in this beautiful city of Burlington, in which we are now permitted to meet, "that the next best thing to the possession of knowledge is to know where to find it."

I will here quote a few pregnant sentences from Professor Fisher's address. It is difficult and unsatisfactory to do so, because the whole address is condensed into an epitome of the results of long investigation and deductions made by Fisher and others of the committee; I quote as follows:

"Sooner or later we discover that risks are more or less preventable—sooner or later it befalls that those insurance companies prosper most which practice prevention as well as indemnification."

Mr. Fisher then proceeds to prove the above statement by illustration as follows:

"It is estimated that the risk from fire in certain particular classes has been reduced, through the fire insurance companies, some 70 per cent."

"They"—the fire companies—"now employ fire insurance engineers to maintain a laboratory in Chicago, which is well

equipped for the purposes of studying fire resisting materials, fire resisting devices and new apparatus and fire prevention in general. Many fire insurance men believe that this laboratory is their best investment.

"In steam boiler insurance, under the leadership of one man, the companies assuming these risks gradually discovered that it paid to put back nearly one-half of their premiums into the work of inspection of boilers, with a view of preventing explosions.

"The movement toward prevention is now taking possession of those forms of insurance most vitally connected with human life, accident, insurance, health insurance and life insurance."

"I am fully pursuaded that sooner or later, life, accident and health insurance companies will assume their rightful place among the most powerful engines for human safety, health and longevity the world has ever seen."

To indicate the extent of attention given by insurance companies to the conservation of life, the professor quotes from Robert Lynn Cox as follows:

"Practically all of the companies represented in the Association of Life Insurance Presidents are giving their moral support to the movement for the prolongation of human life. In addition, many of them are doing practical educative work. Measured by number of policies in force, the association companies cover 78 per cent. of the field of American companies, having 21,700,000 policies out of a total of about 28,000,000. The association companies engaging in individual work along health betterment lines have 73 per cent. of the total number of policies in force, or 20,500,000."

Professor Fisher then sums up by expressing the following personal conclusion:

"I believe that in health and accident insurance, and especially in health insurance, there are gigantic possibilities of profit. I use the term 'profit' rather than philanthropy in recognition of the fact that insurance companies, as such, have no business to undertake philanthropic work, except when it its profitable."

He then presented, in summary form, statistics, the logic of which is inestimable. I recommend, afiain, this address as a condensation of the most valuable information.

I should judge, from correspondence, that the great leaders in the field of life, liability and accident insurance, are fully awake to the importance of this subject. Only one correspondent seems slightly to discredit it.

The following quotations are taken from a personal letter received from a president of a large life company:

"We have never taken part in what is called the Life Conservation Movement, because we have not been able to see that there is anything in it for us—by 'us,' I mean our policyholders. I have never been able to persuade myself that our policyholders would tolerate any interference or suggestion from us, as to how they live, or what they should do in such matters."

My surprise at his expression was increased because of a personal appreciation of the abilities of the writer, and it occurred to me that other important matters must have so employed his time that he had not studied the subject in all its broad extent and its great possibilities.

My paper is not an attempt at originality, yet I deny the truth of any possible charge that it is plagiarism, while you have my consent to call it a compilation.

In the process of compilation, let me now quote from a personal letter from another, who has charge of the interests of a large

accident company. There is an unique and happy expression of ideas, which lead me to quote largely, because you will be amused, as was I, at his similes and at the frequency with which he hits the nail. This correspondent, also, shall be nameless. I quote as follows:

"I can't say a thing that will help you, Friend Basford. I wish I could. You have been put up against a hard one for original stuff.

"To me one word sums up the whole thing, 'self-interest.' Assuming a normal mind, if the employee is going to suffer for his carelessness that causes loss of life, or disability to others, he will be careful. The same applies to the employer. But when you philanthropically punish the employer who pays the employee for the same mistake, or carelessness, no safe-guard will prevent. Man in a peculiar animal. His gauge for his own acts is on a different basis from that for the acts of others. His own minor excretions, for instance, are not offensive to him in the same degree that the excretions of others are. His own smell will not smell bad to him, but let him sit next a husky Swede on Friday night—Whew! The doctor puts on a soiled gown, once white, examines the membrane in a diphtheritic throat, takes off the gown and sticks his finger in the mouth of the next case to see if the teeth are through; what will prevent him? The workman, God bless him, and give him the right to draw six dollars a day, through labor organizations, and to strike because some poor devil out of a job carries a hod in an emergency, or if he wants higher wage, he hires a few dynamiters to blow up a building or so. Yes, we should sit up nights worrying about how to protect the workman—and get his vote. Lambroso said a few years ago that we are all more or less crazy; today he would leave out the qualified word, 'more or less,' before the word 'crazy.' Make it of interest to all parties to exercise all the care their God-given brain will permit, by insisting on a thorough acquaintanceship with the danger assumed in any given task, and then punish the one guilty of carelessness, irrespective of whether it be master or servant.

"Esdra gives Moses the credit of laying down the law on liability. See Exodus, Chapters 21 and 22."

From the 8th to the 11th of this month I was in attendance upon the International Convention of Surety and Casualty Underwriters at Quebec. It occurred to me that I there heard the phrase "without fear of successful contradiction" more times than I have heard it during the five sessions of this body which I have attended. I there heard read a paper by President Stone, of the Maryland Casualty Co., and, at the time, it occurred to me that if I heard aright, Mr. Stone was unfair in certain deductions. His paper was in type, and I can, therefore, give you the paragraph as follows:

"Now, what are the facts as to the profits of the companies on the transaction of liability insurance? For the ten years of 1903 to 1912, both inclusive, the total earned premiums on all forms of liability policies were $237,562,809.00, and the total losses paid (plus claim reserves as of 1912) and expenses (including taxes) were $235,405,080, leaving $2,157,729 profit, or nine-tenths of 1 per cent., on the business transacted."

Mr. Stone's subject was The Fact, the Specifications, the Causes and the Cure of the Hostility to Casualty Companies. To establish the fact of hostility, he quoted from Governors Foss, of Massachusetts, Sulzer, of New York, Johnson, of California, and Wilson, now President of the United States. He also cited legislation in a dozen or more States.

Notice that in the paragraph I have quoted, he does not differentiate between the amount paid for losses and amount paid for expenses, and yet in the next paragraph, in speaking of the army of casualty insurance employees, he says, "Such an army does exist, and to that extent, the charge of our enemies is true."

Notice also that he makes out a percentage on the total insurance written, of nine-tenths of one per cent. Why not have figured a percentage on the capital invested in the business. A commissioner is confused on this profit question, who finds in an annual statement on the disbursement page where the question is raised, "what amount paid during the year 1912, as dividends to stockholders?" an answer which shows that 115 per cent. was paid during that year. Evidently there was a fifteen per cent. cash dividend paid on a two and a half million dollar capital, with which the company began the year 1912, and a hundred per cent. stock dividend, which added to the previous capital stock, enabled the company to enter the year 1913 with a five million dollar capital stock.

As a student, to some extent, of the civic, social and economic questions in our republic, I have at times been led to fear for the outcome.

When I found at the convention at Quebec a comparatively young class of men; found that the question of employer's liability was the important one; found the men at work to solve, so far as possible, the questions of equity which must be solved, and endeavoring systematically to solve them from ascertainable facts, figures and conditions, my faith in the future grew. These men may accomplish what hot air harangue, flannel-mouth folly, ambulance chasing lawyers, bayonets, bullets and dynamite will never bring about.

In the solution of the question of approximate equity and the maintenance of peace between employer and employee, by the solution of the question of the more equitable distribution of increasing wealth of the nation, insurance is an all important factor in our present commercial life; it has done much and can accomplish much more.

This body of Commissioners sits as an arbitrating board to deal with conflicting theories and interests. In the past they have done well, in the future still better things may be expected.

In conclusion, pardon a personal word. By the 1st of September I shall have ended my service as a Commissioner, after a term of nearly seven years. To have been a member of your body has been a pleasure and highly appreciated honor.

O. S. BASFORD,
Commissioner of South Dakota.

The President: The next thing in order is the report of committees. Are any committees ready to report?

The Secretary: Mr. President, I have here the report of the Committee on Rates of Mortality and Interest. (Reads.)

REPORT OF COMMITTEE ON RATES OF MORTALITY AND INTEREST.

The most advanced students, from a physician's standpoint, claim that the average length of human life is largely increased in the past fifty years, and that this is especially true in America. What the actuaries have learned from a study of statistics seems not to be so generally known.

If the claim be true that the average life of generations has been lengthened, it would be natural to presume that the increased attention given to the matter of health and life, and to the prevention of accidents, must add still more to this increased average.

Whatever the truth may be, it would seem that this body, in the light of their knowledge of the restrictive tendency of the laws and the ever-increasing benefits given to the insured by the companies, both voluntarily and as required by law, need not worry themselves or anybody else by any suggestion of change of tables of mortality at the present time.

Interest rates, as they relate to insurance, is a purely business matter, and as the success and perpetuity of insurance companies depend much on the safety and profitableness of their investments, it would seem better to leave such a matter to the business sagacity of managing officers and boards, rather than to this body or to legislative bodies.

O. S. BASFORD, South Dakota,
Chairman.

G. W. BAILEY, Vermont,
Secretary.

Upon motion the report of the committee was adopted unanimously.

Mr. W. T. Emmet, Insurance Commissioner of New York: Mr. President, I have two reports here from the Committee on Reserves Other Than Life. (Reads report.)

REPORT OF COMMITTEE ON RESERVES OTHER THAN LIFE.

To the National Convention of Insurance Commissioners:

Your committee submits herewith the following report on the workings of the liability loss reserve law, together with reasons why this law should be amended in accordance with the recommendations contained herein.

Necessity for Extending Suit Test.

One of the apparent defects in this law is that no suit test is required for the year preceding the year of the statement (the fourth year of the second five-year period). In order to illustrate the necessity for providing some test for such year, a table is submitted herewith showing the liability loss reserves of the various companies on 1911 business, as reported in the annual statements for the year ending December 31, 1912. As this report is for the purpose of showing defects in the law and not for the purpose of showing the inadequacy that may exist in the reserves of any particular company, the names of the companies have been omitted from this and other tables.

Liability Loss Reserves on 1911 Business.

Legal Loss Ratio	Number of suits outstanding on 1911 business	Legal reserve on 1911 business	Amount in reserve for each 1911 outstanding suit
51 %	88	.....	....
51 %	8	.....	....
51 %	404	$47,294	$117
51 %	7	1,252	179
53.2 %	486	90,918	187
51 %	63	16,098	256
51 %	190	61,684	325
51 %	82	33,618	410
51 %	129	59,188	459
51 %	49	25,376	518
54.7 %	445	257,595	579
51 %	145	108,723	750
63.9 %	192	163,805	853
55 %	461	404,719	878
57.21%	1,020	924,896	907
56.7 %	160	165,447	1,034
52.26%	426	512,469	1,203
56 %	457	553,609	1,211
55.5 %	180	251,771	1,399
51 %	8	11,259	1,407
51 %	55	88,769	1,614
63.46%	474	824,738	1,740
51 %	4	13,588	3,397
51 %	8	36,391	4,550
51 %	....	38,017	No outstanding

From the above table it will be seen that the present law works in such a manner that two of the companies are not required to set aside any reserve for their 1911 outstanding claims, although one has 88 suits and the other 8 suits outstanding on that year's business. In contradiction to that result, one company is obliged to set aside $38,017 for 1911 outstanding claims, although it has no outstanding suits on that year's business. Another peculiar result is shown in the experience of three companies, each with eight suits outstanding on 1911 business, one of which reserves nothing for these eight suits, one $11,259, and one $36,391. These three companies are all new in the liability business, and undoubtedly the cost to each will be substantially the same for their respective eight suits. Then, again, compare the following results in three companies, one of which reserves $47,294 for 404 suits, an average of $117 per suit, one $90,-918 for 486 suits, an average of $187 per suit, and one $824,738 for

474 suits, an average of $1,740 per suit. The cost per suit on the 1911 business should not vary materially in these three companies.

Without the suit test for the first three years of the last five-year period, this law would have been a farce, as far as providing an adequate reserve is concerned, and the facts set forth above show the necessity of extending a suit test to the fourth year of such period. It is well known that the ultimate average cost of suits outstanding at a given period on old business will exceed that of suits on recent business. This fact is recognized in the present law, which provides for a charge of $1,000 for each suit outstanding on business over ten years old, while the charge per suit on business between two and ten years old is $750. The average cost per suit for sixteen companies between the years 1900 and 1907 on suits which were outstanding on the fourth year's business of the second five-year period approximated $650. The average cost of suits has increased in recent years, and it is quite likely that a charge of $750 per suit would not be excessive. The application of this test would particularly affect those companies whose reserve are the weakest, as well as the companies new in the business and reserving on a fixed loss ratio.

The application of a $500.00 test for such years would affect the reserves of only nine companies, as set forth herewith:

	Legal Reserve	Reserve with $500 suit test for 1911
Company A	$105,182	$149,188
Company B	125,483	129,483
Company C	439,076	593,782
Company D	38,924	41,172
Company E	333,193	485,275
Company F	212,510	227,735
Company G	196,561	228,877
Company H	177,041	184,058
Company I	210,794	316,105

Fixed Loss Ratio for New Business.

While this reserve law in its present form does not produce adequate reserves for those companies which are not reserving on their own experience, with one or two exceptions, the same holds good for those companies which are reserving on their own experience. The trouble with the law is that it goes back too far for the experience factor. With one or two exceptions, the data of the various companies show that the losses sustained in recent years have been much heavier, in proportion to the earned premiums, than those sustained in previous years. The loss ratio, which is applied to the earned premiums of the last five years, is obtained from the expe-

rience of the previous five years, and thus, with conditions changed as they have, the application of a ratio obtained from old business to recent business produces an unsatisfactory result. In order to illustrate this, the following table shows the percentage of losses and outstanding to earned premiums for the years 1903-1907 inclusive, as compared with the years 1908-9-10:

	Legal Loss Ratio	Loss Ratio for the years 1903-1907	Loss Ratio for the years 1908-9-10
Company A	51 %	53.2 %	71.05%
Company B	63.46%	63.46%	60.19%
Company C	51 %	55.7 %	65.9 %
Company D	52.26%	52.26%	52.84%
Company E	56 %	56 %	60.21%
Company F	56.7 %	56.7 %	63.2 %
Company G	63.9 %	63.9 %	63.9 %
Company H	54.7 %	54.7 %	63.94%
Company I	55 %	55 %	61.39%
Company J	51 %	46.3 %	59.97%
Company K	55.5 %	55.5 %	60.38%
Company L	51 %	47.7 %	59.14%
Company M	51.6 %	51.6 %	56.83%
Company N	57.21%	57.21%	59.87%
Company O	51 %	46.5 %	62.95%

Only one of the above fifteen companies shows a smaller loss ratio for the years 1908-9-10 than for the previous five years, and in most of them the ratio for recent years shows a material increase over that of former years. A reserve based on the 1908-9-10 experience, which is nearly a completed one, would be much nearer the true reserve than that based on the experience of the years 1903-1907, for there is no reason to believe that the experience for the years 1911-12 will be any better than that for the years 1908-9-10. But conditions may again change so that an experience based on business from two to five years old may produce very unsatisfactory results. Indeed, it would appear that any reserve based on past experience is not going to prove satisfactory. This is especially so in this class of business, for which there is no uniformity in rates charged by the various companies. Changes in liability and compensation laws, changes in management, followed by changes in underwriting methods, the stress of competition and other reasons so change conditions in various companies that a reserve for recent business, based on past experience, proves an absurdity. If the companies should from now on strive to secure business only on sound business principles, basing their underwriting upon statistical experience and the physical and moral hazard of each individual risk, free from the influence of competition, and

reducing commissions and other expenses to a minimum, it would seem that even those showing large deficiences in reserve could gradually work themselves out of their present situation and in time be able to set aside from surplus adequate reserves.

The representatives of the various companies are familiar with present conditions and know that practically all of them are losing money in the liability business; but stress of competition and greed for business, even if unprofitable, are responsible for present unsatisfactory conditions. The New York department recently called the attention of the various companies transacting this class of business to these facts, and warned them that their business must be conducted on sound business principles and on an economical basis. If the companies heed this warning much good will result, but as long as the law permits inadequate reserves, just so long will the companies be tempted to expend funds that should be set aside to meet outstanding obligations. This committee believes that the very future of several of the companies depends on their conducting their business hereafter along the lines suggested by the New York department, and that the surest way of making this an accomplished fact is to compel the companies to set aside a sufficient percentage of all premiums to take care of losses on such business.

Another question in this connection is that of reserves for compensation business. Under the provisions of the present law, the companies which had not been writing liability business for ten years were reserving on a 51% loss ratio on December 31, 1912, for their compensation losses, with a gradual increase in the loss ratio up to 55% for December 31, 1916, and thereafter. This leaves 45% for expenses and profits, entirely too large a margin. There have been some advocates for reserving for compensation claims on the basis of individual estimates, but it is not believed that this method would prove satisfactory. The expenses in connection with this class of business should be lower than for the liability business, and, therefore, the margin for expenses should be less.

Recommendations.

Your committee believes that a fixed loss ratio for both liability and compensation business would prove most satisfactory and produce the best results. By providing for a fixed loss ratio the company would know that such percentage of the premiums, less the losses paid, would have to be set aside for reserve, and that the balance would have to provide for expenses. Safe and sane underwriting methods would of necessity be established, for under such provisions the results of other methods would become apparent much sooner than under the provisions of the present law.

The experience of the various companies clearly shows that a fixed loss ratio of 60% would be, in most instances, too low, and that a loss ratio of 65% would come nearer the mark, even this not being

sufficient in some instances, if the experience shown in the years 1908-9-10 should be no better for the following years. Practically all of the companies now realize the unscientific methods that have been followed in the past, and they are now striving to place this business on a sounder basis. As to the business already on the books of the various companies, it would be better to let it work out under the provisions of the law as it now stands, except for the extension of the suit test to the fourth year of the second five-year period. This business was secured with the knowledge that the reserve would be based on the present law, and to arbitrarily change the present standard, as far as old business is concerned, would produce such an effect that it is doubtful whether all of the companies would be able to meet such added requirements. But there is no reason why stricter requirements should not be established for future business, and your committee believes that should the liability loss reserve law be amended in accordance with the recommendations submitted herewith, not only would adequate reserve result, but that these changes in the present law would be largely instrumental in bringing about better conditions in the liability and compensation business, and prove of lasting benefit to the insuring public and to the companies.

The recommendations are as follows:

1st. The application of a suit test for the fourth year as well as for the first three years of the last five years immediately preceding the date of statement, to the liability business.

2d. The application of a test for the fourth year as well as for the first three years of the last five years immediately preceding the date of statement, to the compensation business.

3d. The application of a fixed loss ratio (percentage to be determined) to the year 1914 at December 31, 1914, and to each year thereafter, for the liability business.

4th. The application of a fixed loss ratio (percentage to be determined) to the year 1914 at December 31, 1914, and to each year thereafter, for the workmen's compensation business.

Your committee also recommends that for the year 1914, at December 31, 1914, and for each year thereafter, Schedule P of the casualty blank be divided into two parts, one for the liability business and one for the compensation business. Your committee further recommends that this committee be empowered to call meetings for the purpose of affording representatives of the various companies an opportunity to be heard on these proposed amendments, and also inviting such suggestions as they, or the heads of any of the insurance departments, might wish to make; and that after such meeting this committee submit to the next adjourned meeting of this convention a draft of such liability and workmen's compensation loss reserve law that will, in its judgment, meet the defects in the present law

and provide adequate reserves, to the end that a new loss reserve law may be secured in the various States at the next session of their respective Legislatures.

Respectfully submitted,
W. T. EMMET,
HERMAN L. EKERN,
IKE S. LEWIS,
J. S. DARST,
W. H. O'BRIEN,
C. C. GRAY,
WM. H. SHEHAN,
E. F. VAN VALKENBURG,
CHARLES JOHNSON.

Upon motion the report of the committee was adopted unanimously.

Mr. W. T. Emmet, Insurance Commissioner of New York: Mr. Chairman, I have another report to present from the same committee. This is a matter in which we ask—we of New York—ask the convention to stand behind us in a matter that has been adopted by the State of New York with the approval of the companies concerned and also with the approval of all Commissioners with whom I have spoken; and it has received the approval of the Committee on Reserves Other Than Life in the making of this report. I will ask the Secretary to read it. (Secretary reads report.)

To the Convention of National Insurance Commissioners:

This committee on reserves, other than life, recommends to the convention the adoption of the following preamble and resolutions:

Whereas the Superintendent of Insurance of the State of New York sent to the various companies authorized to transact the business of liability insurance in his State a letter which read as follows:

"June 20, 1913.

"Dear Sir: The condition in the liability business has become so serious that this department intends to hereafter call the various companies to strict account in their conduct of this class of business.

"The companies generally have been and now are writing liability business at a premium insufficient to take care of the losses and expenses. This method of doing business means a loss to the companies, and its continuance will mean insolvency. The liability policy protects the assured not only against claims maturing during its life, but also against claims maturing years after the policy expires, on account of accidents occurring during policy years.

"It is of particular importance to the assured that the company which issued the policy shall continue solvent, not only during the life of the policy, but for a number of years thereafter.

"A study of the loss reserves of the various companies shows that practically every one of them has set aside an insufficient amount to take care of future losses on its liability business, although the reserve is computed in accordance with the present loss reserve law. The expenses chargeable against this class of business are excessive, and, in view of this situation, it would seem that the aim of the various companies should be to remedy this condition by securing adequate premiums and by reducing expenses to a minimum. But the contrary is the fact: Competition is the basis for the underwriting, and the same influence is responsible for the high commissions now being paid on this class of business. There can be no justification for a commission in excess of 15% to brokers, and perhaps a slight increase over that rate to agents, but in no event should the total commissions exceed 20%.

"This department will insist upon the companies conducting their liability business upon a sound basis, and in particular as follows:

"1st. Basing their underwriting upon statistical experience and the physical and moral hazard of each individual risk and free from the influence of competition.

"2d. Commissions not to exceed the percentage stated above.

"3d. Administration expenses to be minimized.

"If it is found, through examination or otherwise, that any of the authorized companies of other States are transacting their business contrary to the above recommendations, and in such a manner as to jeopardize the interests of their assured, I will not hesitate to use the power vested by law in the Superintendent of Insurance to revoke the certificate of authority of any such company, whenever, in my judgment, such revocation will best promote the interests of the people of this State.

"If it is found, through examination or otherwise, that any of the domestic companies are continuing such practices, this department will, through publicity and other means, call the attention of the insuring public to the character of the protection such company is affording.

"If it becomes necessary, this department will seek, through legislation, further means for the protection of the insuring public.

"It is hoped that the various companies will co-operate with this department in bringing about the reforms needed in the conduct of this business, and which will be beneficial alike to the companies and the insuring public.

"Will you kindly give the subject matter of this letter your careful consideration, and inform this department as soon as possible as to your position on this matter?

"Respectfully yours,
"W. T. EMMET,
"Superintendent of Insurance."

Now, be it resolved, That the convention endorses the sentiments expressed in said letter and concurs in the recommendation contained therein; and, be it further resolved, That this matter be referred to the Committee on Reserves other than Life for such action as it may deem necessary in bringing about the reforms needed in the conduct of the liability and workmen's compensation business, particularly as to rates, commissions and other expenses.

And be it further resolved, That this committee be also empowered to make a general investigation into the matter of expenses of casualty and surety companies, and that such committee be prepared to submit a report to the adjourned meeting of the convention in December, 1913, in order that any legislation that may be necessary can be prepared for introduction at the next regular session of the several State Legislatures.

Respectfully submitted.
W. T. EMMET,
CHARLES JOHNSON,
HERMAN L. EKERN,
J. S. DARST,
E. F. VAN VALKENBURG,
WM. MASON SHEHAN,
C. C. GRAY,
W. H. O'BRIEN,
IKE S. LEWIS.

Mr. O. S. Basford, Insurance Commissioner of South Dakota: Mr. Chairman, in so much as this seems to be an endorsement of the position taken by Mr. Emmet it seems to me important for some one else than him to move the adoption of the report, and I do so.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut: Mr. President, I am in entire sympathy with the proposed legislation; but so far as the fixing of any control of expenses by legislation, I am opposed to it; and I would like to move the adoption of it with this exception, as to myself.

The report was then adopted.

REPORT OF SECRETARY AND TREASURER.

Mr. F. H. McMaster, Insurance Commissioner of South Carolina and Secretary and Treasurer of the Association: Mr. President, I would like to submit this report of the Secretary and Treasurer at this time so that a committee to audit the books of the Secretary and Treasurer may be appointed. (Reads.)

The report as passed upon by the committee is found hereinafter.

The President thereupon appointed the following committee:

Mr. N. B. Hadley, Examiner of Life Companies, of New York.

Mr. H. P. Orr, Deputy Insurance Commissioner of Michigan; and

Mr. H. P. Hammond, Actuary, of Connecticut.

The Secretary: Mr. President, I would like at this time, if you will allow me, to introduce this resolution:

Mr. McMaster, of South Carolina, proposed the following resolution:

The Secretary be instructed to render an account to each Insurance Department for its pro rata of the expenses of the convention to be paid to the Secretary and for its pro rata of the expense for valuation of securities and publication of same to be paid the Chairman of the Valuation Committee: Provided, however, That this be done without prejudice to such departments as have no funds available for these purposes.

The resolution was seconded and was unanimously adopted.

Mr. President, the purpose of this is this: Some States cannot make a contribution for any purpose, but if a bill is rendered they can pay it; and I know it is the wish of some departments that it be so rendered. Formerly the assessments have been in the nature of contributions, and the Secretary has no authority to render bills for the same.

This is not done to force any department to pay, but as an accommodation to those departments that cannot pay without a bill being rendered.

Mr. Ekern, of Wisconsin: I would like to ask how soon such a bill as that could be rendered?

The Secretary: Well, it could be done immediately after the adjournment of the convention.

Mr. Moore, of Ohio: How would you apportion the valuation expenses among the different departments?

The Secretary: My suggestion to my successor would be to find what the department could pay, and then bill the department for that amount. (Laughter.)

Just at this juncture, in order to cover Mr. Ekern's suggestion, I move you that an assessment of fifty dollars be levied on the departments for the expenses of this convention.

The President: The motion before the house is the motion made by the Secretary in regard to billing the departments for these expenses.

The motion was adopted unanimously.

The Secretary: Now, Mr. President, I move you that we fix the assessment of the departments for the expenses of this convention at $50, and that the departments be billed for this amount.

The motion was adopted unanimously.

REPORTS OF COMMITTEES.

Mr. Henry D. Appleton, Deputy Insurance Commissioner of New York: I have here the report of the Committee on Blanks:

REPORT OF COMMITTEE ON BLANKS.

July 21, 1913.

To the National Convention Insurance Commissioners:

On behalf of the Committee on Blanks, I beg to submit here-

with its report for 1913. It was submitted to the executive committee of the convention at its recent meeting held in Richmond, Va., and was slightly modified by such committee, the report now presented being as modified by the above committee.

Owing to the numerous changes made in the miscellaneous statement blank and to its complex requirements, it was thought best to have an edition printed and copies sent to all departments. This has been done. The income and disbursement pages of the fraternal blank were also printed in such form as to allow more space for figures in the money columns than obtained in the 1912 edition of that blank. Copies of the two printed pages in question were also forwarded to the various departments with the miscellaneous blank and copy of report of this committee.

Respectfully,
HENRY D. APPLETON,
Chairman Committee on Blanks.

New York City, May 15, 1913.

To the Honorable C. A. Palmer, Chairman of the Executive Committee of the National Convention of Insurance Commissioners.

Sir: The Committee on Blanks herewith submits the following report of the proceedings of its meeting held at the Hotel Manhattan in New York City May 12, 13, 14 and 15. The following changes in the various annual statement blanks are submitted for adoption by the executive committee:

Fire Blank.

1. Page 2, line 6. Eliminate the words "gross amount paid for" and insert after the word "reinsurance" the word "premiums."

Reason.—Under the method contemplated by the blank, the items of reinsurance and return premiums to be deducted at this point should be on a written basis as distinguished from a cash basis.

2. Page 3, line 5. Amend so as to read: "Commissions or brokerage (including $..... on risks of other companies reinsured) less $..... reinsurance commissions."

Reason.—The large number of reinsurance transactions reported in the statements of the various companies makes the foregoing separation of this item advisable in order that the commissions paid to agents may be distinguished from the commissions on reinsurance transactions.

Note.—The references to page and line numbers and dates are made to the 1912 convention blank. Change your dates and renumber lines in all blanks where necessary.

3. Page 4, line 1. Amend to read: "Book value of real estate (less $..... incumbrances) per schedule A."

Reason.—It is the practice of some companies to carry upon their books the net value of their real estate after deducting the amount of any incumbrances thereon. This change is to require that in such cases the amount of such incumbrance appear in the balance sheet.

4. Page 4, line 27. Eliminate reference letter "(f)" and corresponding foot-note.

Reason.—It has been provided hereinafter that this item be included on page 5, line 5 (see paragraph 16).

5. Page 4. Note "(c)" changed by adding the words "less reinsurance, return premiums, commissions, and agents' credit balance."

Note "(d)" changed by adding the words "less reinsurance, return premiums and commissions."

Reason.—These changes are suggested in order to make clear to the companies the manner in which it is contemplated that items 8 and 9 on page 4 of the blank shall be returned.

6. Page 5, line 7. Amend to read: "O (A) Gross premium (less reinsurance) received and receivable upon all unexpired fire risks $.....; unearned premiums per recapitulation page 6, column 6." Page 5, eliminate line 8.

Reason.—To avoid duplication of information given in the recapitulation.

7. Page 5, line 20. Amend to read: "Contingent commissions or other charges due or accrued." Eliminate foot-note at bottom of page referring to this line.

Reason.—This change is made necessary in order to indicate that all commissions should be returned on page 3, and that contingent commissions and similar charges only should be entered in this line.

8. Page 5. Insert a new line after line 20 reading: "Funds held under reinsurance treaties."

Reason.—To provide for such liabilities referred to in the blank on page 2, line 24, and page 3, line 37.

9. Page 5, line 21. Amend to read: "Reinsurance and return premiums due other companies."

Reason.—To more clearly indicate to the companies that such premiums not already covered under the head of agents' balances must be returned as a liability in this line.

10. Page 6, column 5. Place an asterisk at the head of this column referring to note at foot of page reading as follows: "In case the fractions unearned as printed in this column do not produce the requisite statutory reserve, such fractions shall be disregarded and the reserve extended in accordance with the statutory requirement."

Reason.—To provide a closer correspondence between the requirements of the blank and the requirements of the statute in the cases of those States where the law provides that the unearned premiums of a company shall be calculated on each respective risk from the date of the issue of the policy; and in general to provide for cases in which the reserve produced by the fractions printed in this column are obviously insufficient.

11. Page 7, interrogatory No. 4. Amend to read: "Does this company write any of the following named lines of insurance? Answer..... If so, give the amount of net premiums written and losses incurred in each class during the year of statement."

Auto Property Damage		Tourist's Baggage		Registered Mail		Wind Storms and Tornadoes	
Net premiums	Losses incurred (less reinsurance)	Net premiums	Losses incurred (less reinsurance)	Net premiums	Losses incurred (less reinsurance)	Net premiums	Losses incurred (less reinsurance)
$	$	$	$	$	$	$	$

Hail		Sprinkler Leakage		Explosion		Earthquake	
Net premiums	Losses incurred (less reinsurance)	Net premiums	Losses incurred (less reinsurance)	Net premiums	Losses incurred (less reinsurance)	Net premiums	Losses incurred (less reinsurance)
$	$	$	$	$	$	$	$

Reason.—To obtain information as to the volume of business transacted in these classes by the various fire insurance companies.

12. Page 7, interrogatory 16. It is recommended that this interrogatory be eliminated from the blank.

Reason.—The information called for therein is substantially given elsewhere in the statement.

13. Page 8, foot-note "(c)", and page 9, foot-note "(d)": Eliminate the word "capital."

Reason.—It is believed by the committee that taxes calculated upon the amount or value of the capital stock of a company should not necessarily be regarded as an investment expense within the meaning of the schedule.

14. Page 9, lines 37 and 39. Insert the words "due and" after the word "rents" in each case.

Upon motion the report of the committee was adopted unanimously.

Reason.—So that the phraseology of this item may agree precisely with the phraseology of the items referred to on page 4 of blank.

15. Page 9, line 57. Add to this line the words: "(Attach exhibit)."

Reason.—To facilitate the checking up of this item in the audit of the statement.

16. Page 10, schedule E. Amend the caption of this schedule to read: "Showing name and location of company and amount due for reinsurance on losses."

Reason.—It is believed by the committee that there is no sufficient reason for distinguishing between amounts due for reinsurance on unpaid losses as distinguished from paid losses, and that the entire amount due for such reinsurance should be included in this schedule and entered in item 5, page 5.

Life Blank.

17. Page 2. Insert a new line after line 18: "Extra premiums for total and permanent disability benefits $....., and for additional accidental death benefits $..... include in life policies."

Reason.—This change is suggested to make provision for the various items resulting from the use of the disability clauses and the so-called double indemnity clauses in contracts of life insurance not previously provided for.

18. Page 3. Insert a new line after line 2. "For total and permanent disability claims $.....; and for additional accidental death benefits $....."

Reason.—See paragraph 17.

19. Page 4, line 1. Same change as in corresponding line of fire blank.

Reason.—See paragraph 3.

20. Page 5, line 7. Amend to read: "Extra reserve for total and permanent disability benefits $.....; and for additional accidental death benefits $..... included in life policies."

Reason.—See paragraph 17.

21. Page 5, line 13. Amend to read: "Claims for death losses reported for which no proofs have been received."

Reason.—See paragraph 22.

22. Page 5. Insert a new line after line 13 to read: "Reserve for net death losses incurred but unreported."

Reason.—On account of the essential difference between the methods of determining the liability in the case of reported losses and in the case of losses incurred but unreported, it appears to

the committee advisable that the sums carried for these two items be returned separately.

23. Page 5. Insert a new line after line 15: "Claims for total and permanent disability benefits $.....; and for additional accidental death benefits $....."

Reason.—See paragraph 17.

24. Page 6, Policy Exhibit. Amend the captions of the exhibit of policies by adding the following: "Additional accident death benefits provided in life policies must not be included in this exhibit."

Reason.—See paragraph 17.

25. Page 6. Add a new foot-note to the exhibit of policies: "Additional accidental death benefits included in life policies were in amount $....."

Reason.—See paragraph 17.

26. Page 9. Insert a new line before line 101 of the gain and loss exhibit. "Net *..... on account of total and permanent disability benefits or additional accidental death benefits included in life policies."

Reason.—See paragraph 17.

27. Page 9. Amend line 104 to read: "Balance unaccounted for."

Reason.—To render clearer the meaning of this item.

Miscellaneous Blank.

* 28. Page 2, foot-note "(a)." Change the word "rebates" to "abatement."

* 29. Schedule O, part 2, foot-note "(a)." Strike out the word "rebates" and insert in its place the words "abatement of premiums."

30. Page 2. Insert a new line after line 6. "Workmen's Compensation," with a reference letter "(b)," and a foot-note referring to this line as follows: "(b) Including additional premiums on policies issued in previous years, viz.: 1912 $.....; 1911 $.....; and less abatement of premiums on policies issued in previous years, viz.: 1912 $.....; 1911 $....."

Reason.—This change is made to carry out the recommendations of the committee on blanks contained in its last report to the executive committee to the effect that provision should be made in the blank to show workmen's compensation risks separately from liability risks.

31. Page 2, line 16. Change to read: "Auto. and teams property damage."

Reason.—This change is recommended to provide a place for teams property damage, which has not been specifically provided for heretofore.

32. Page 3. Insert a new line after line 3: "Workmen's compensation."

Reason.—See paragraph 30.

33. Page 3, line 13. Change to read: "Auto. and teams property damage."

Reason.—See paragraph 31.

34. Page 3, lines 18 and 24. Insert after "Liability $....." the words "Workmen's compensation $....."

Reason.—See paragraph 30.

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*The changes in paragraphs 28 and 29 were made by instruction of the Executive Committee.

35. Page 3, lines 21 and 27. Change "Auto. property damage" to read "Auto. and teams property damage."

Reason.—See paragraph 31.

36. Page 4, line 1. Same change as in corresponding line of fire blank.

Reason.—See paragraph 3.

37. Page 4. Insert a new line after line 11: "Workmen's compensation."

Reason.—See paragraph 30.

38. Page 4, line 21. Change to read: "Auto. and teams property damage."

Reason.—See paragraph 31.

39. Page 5. Insert a new column after column (2): "Incurred but not reported."

Reason.—This change is recommended to provide a place for entering such claims referred to specifically in general interrogatory 3.

40. Page 5, column 6. Amend the heading of this column to read: "Net unpaid claims except liability and workmen's compensation (excluding expenses of investigation and adjustment)."

Reason.—See paragraphs 30 and 45.

41. Page 5. Eliminate columns 7 and 8.

Reason.—See paragraph 45.

42. Page 5, lines 13 and 28. Change these lines to read: "Auto. and teams property damage."

Reason.—See paragraph 31.

43. Page 5, line 17. Change to read: "Special reserve for unpaid liability and workmen's compensation losses."

Reason.—See paragraph 30.

44. Page 5, line 20. Change to read: "Total unpaid claims."

Reason.—See paragraph 45.

45. Page 5. Insert a new line after line 20: "Estimated expenses of investigation and adjustment of unpaid claims: Accident $.....; Health $.....; Fidelity $.....; surety $.....; Plate Glass $.....; Steam Boiler $.....; Burglary and Theft $.....; Credit $.....; Sprinkler $.....; Title $.....; Fly Wheel $.....; Auto. and teams property damage $.....; Workmen's Collective $.....; Live Stock $....."

Reason.—This change is recommended so as to get the total of pure claims in line 20 instead of claims and expenses of settlement, as heretofore.

46. Page 5, line 25. Insert after "Liability $....." the words "Workmen's compensation $....."

Reason.—See paragraph 30.

47. Page 5. Eliminate the first foot-note at the bottom of the page.

Reason.—This note is no longer necessary on acount of the preceding changes.

48. Page 6, *Exhibit of Premiums. Make provision for workmen's compensation and teams property damage, and rearrange the exhibit to conform to the lines in the financial statement.

***It was found that the insertion of the necessary space for "Workmen's Compensation" in the "Exhibit of Premiums," on page 6, made the reference in lines 1, 8, 15 and 22 to certain numbered lines in the statement of the previous year wrong, consequently, it was thought best to strike out such references in the above lines in the 1913 blank. The lines in question will now read "In force December 31, 1912, per last year's statement."**

49. Page 6, Recapitulation. Insert a new line after line 32: "Workmen's compensation."

Reason.—See paragraph 30.

50. Page 6, Recapitulation. Change line 42 to read: "Auto. and teams property damage."

Reason.—See paragraph 31.

51. Page 6. Eliminate the first foot-note.

Reason.—The foot-note is now unnecessary.

52. Page 7, lines 13 and 18. Insert after "Liability $....." the words "Workmen's compensation $....."

Reason.—See paragraph 30.

53. Page 7, lines 16 and 21. Change "Auto. property damage" to "Auto. and teams property damage."

Reason.—See paragraph 31.

54. Insert a new line after line 29: "Workmen's compensation."

Reason.—See paragraph 30.

55. Page 7, line 39. Change to read: "Auto. and teams property damage."

Reason.—See paragraph 31.

56. Page 8, foot-note "(c)," and page 9, foot-note "(d)." Eliminate the word "capital."

Reason.—See paragraph 13.

57. Page 9, lines 45 and 47. Insert the words "due and" after the word "rents," in each case.

Reason.—See paragraph 14.

58. Page 9, line 65. Add the words "(Attach exhibit)."

Reason.—See paragraph 15.

59. Page 10, schedule E. Amend the caption to this schedule to read "Showing the names and locations of companies and amount due for reinsurances on losses."

Reason.—See paragraph 16.

60. Schedule H. Amend line immediately under the heading of the schedule to read: "Amount of salvage received in cash, viz.: On losses of 1912, $.....; on losses of previous years unpaid Dec. 31, 1911, $.....; on losses of previous years paid prior to Dec. 31, 1911, $.....; Total, $....."

Insert a new column to be known as column (1) and divide the schedule into three sections. Enter in column (1) the following headings: "On losses of 1912;" "On losses of previous years unpaid Dec. 31, 1911;" and "On losses of previous years paid prior to Dec. 31, 1911," respectively.

Reason.—See paragraph 62.

61. Schedule G. Amend the heading beginning with the words "Net amount paid during each of the following years," etc., by adding "excluding expenses of investigation and adjustment."

Reason.—See paragraph 45.

62. Schedule O, part 1, column 9. Change the heading of this column to read: "Total (columns 7 and 8)."

Reason.—The two preceding columns in the schedule make no provision for salvage on losses paid prior to the year of the statement. The changes in this column and those suggested in paragraph 60 eliminate inconsistencies.

63. Schedule O, part 1. Change the heading to read: "Losses and claims other than liability and workmen's compensation claims."

Reason.—See paragraph 30.

64. Schedule O, part 1, line 12. Change to read: "Auto. and teams property damage."

Reason.—See paragraph 31.

65. Schedule O, part 2. Change the heading to read: "Liability and workmen's compensation losses and claims."

Reason.—See paragraph 30.

66. Schedule O, part 2. In making provision for policies written during 1913 two lines should be provided, viz.: "(d) 1913 Liability," and "(d) Workmen's compensation." In addition, insert a foot-note at the bottom of the page: "(d) Separate liability and workmen's compensation experience."

Reason.—See paragraph 30.

67. Schedule J. Amend the captions of the two columns on pages 22 and 23 headed "Salvage" to read: "Reinsurance and salvage."

The reason is obvious.

68. Schedules J and K. Place an asterisk in the four columns headed "Estimated liability Dec. 31, 1912, per annual statement;" and carry a foot-note at the bottom of pages 23 and 25 as follows: "The totals of these columns in schedules J and K combined must agree with the totals of page 5, lines 4 and 5, column 6."

Fraternal Blank.

69. Page 2, line 11. Amend to read: "Gross interest on mortgage loans, per schedule B."

Reason.—To make the line uniform with the other statement blanks.

70. Page 2, line 12. Amend to read: "Gross interest on collateral loans."

Reason.—See paragraph 69.

71. Page 2, line 13. Amend to read: "Gross interest on bonds and dividends on stocks, less $..... accrued interest on bonds acquired during 1912, per schedule D."

Reason.—See paragraph 69.

72. Page 2, line 14. Amend to read: "Gross interest from all other sources."

Reason.—See paragraph 69.

73. Page 4, line 1. Same change as in corresponding line of fire blank.

Reason.—See paragraph 3.

74. Page 7, Exhibit VIII, line 2. Eliminate "(face value)."

Reason.—To eliminate possible ambiguity.

75. Valuation Report. The various insurance departments operating under the Mobile or New York Conference bills should furnish the fraternal orders with valuation report blanks similar to those required to be returned by the orders for the year ending December 31, 1912.

Assessment Life and Accident Blank.

76. Page 4, line 1. Same change as in corresponding line of fire blank.

Reason.—See paragraph 3.

77. Page 7, Exhibit VIII, line 2. Eliminate "(face value)."

Reason.—To eliminate possible ambiguity.

Mutual Fire Blank.

The mutual fire blank now in use by Massachusetts, Connecticut, Maine, Rhode Island, Wisconsin, Illinois and New York, has been amended so as to conform with the changes suggested for the stock fire blank. In addition, page 3, line 31, has been changed to read: "Dividends to policyholders $....., less dividends received from reinsuring companies $....."

Note:—The acceptance of this blank on the part of the Executive Committee makes the Mutual Fire Blank a Convention Blank.

GENERAL MATTERS CONSIDERED BY THE COMMITTEE.

Schedule G (Mortgages) of Life Blank.

In accordance with the directions of the adjourned Commissioners convention held in New York in December, incident to communication received from the Union Central Life Insurance Company, particular consideration has been given to the possibility of so amending schedule B—the mortgage schedule—of the life statement blank as to relieve the companies in so far as possible from the necessity of making the voluminous detailed annual returns now required.

At the adjourned Commissioners convention held in Chicago in April, last, Vice-President Rhodes, of the Mutual Benefit appeared and presented for consideration an amended schedule B.

At the present meeting of the committee Mr. Rhodes appeared in person pursuant to request made of him when the schedule as presented by him at Chicago was reviewed. As a result of this appearance it was agreed that Mr. Rhodes should present a further modified schedule based on the theory of "ins and outs;" the "ins" to show in detail all mortgages acquired during the year. Such modified schedule was presented; it was carefully reviewed, and as a result it was deemed inexpedient by your committtee to make, at this time, any definite recommendation for an amended schedule B.

It is believed by the Committee that the questions involved are of such moment and importance that further careful consideration should be given to the proposed substitute schedule presented by Mr. Rhodes in order that opportunity may be had to confer with those who are particularly interested in any amendment.

The committee would suggest that authority be given it by the executive committee to further investigate this matter.

Classification of Disbursements—Life Companies.

As a result of the action of the convention held in Mobile in 1910, a sub-committee of the Committee on Blanks consisting of the representatives of Connecticut, Massachusetts and New York are giving consideration to the preparation of a code of instructions to life companies relative to the proper return of disbursement items. This committee, not being prepared to render a report at this meeting, was continued. It was also voted that the representative of Illinois should be a member of this sub-committee and that the question of the advisability of adopting a life blank upon a revenue basis be considered and reported upon later.

Casualty and Surety Companies.

The Committee on Blanks of the International Association of Casualty and Surety Underwriters appeared before your committee and presented suggestions relative to the Miscellaneous Blank. It was the opinion of your committee that the matters so submitted were of too much importance to be passed upon in the limited time at its disposal, so that this report does not necessarily represent the final action upon these matters. We desire to call your attention in this connection to the resolution of the Committee on Blanks contained in its report of June, 1912, to-wit:

"That companies desiring to submit any proposed changes in the annual statement blanks for the consideration of the committee be requested to submit such changes in writing to the chairman of

the committee not later than the 15th day of April next preceding any annual meeting of the committee, and that so far as possible the departments conform to this requirement."

Fraternal Association.

Suggestions submitted by a representative of the fraternal orders were given due consideration and acted upon. The statement was made that the expenses shown on the disbursement page of the fraternal blank should be classified. While this is an important matter, your attention is called to the 1911 report of the Committee on Blanks in which it was suggested that the accountants of the fraternal orders prepare suitable and definite amendments to carry this change into effect and submit such amendment to this committee. No such action, however, has been taken thus far by the fraternal orders.

Respectfully submitted,
HENRY D. APPLETON,
Chairman.
S. E. STILLWELL,
H. PIERSON HAMMOND,
I. E. LANG,
GEORGE GRAHAM, JR.,
L. G. HODGKINS,
R. E. ANKERS,
FELIX HEBERT,
H. P. ORR,
S. W. McCULLOCH,
J. F. WILLIAMS,
JAMES FAIRLIE,
Committee on Blanks.

Note.—Mr. Felix Hebert, a member of the committee representing the State of Rhode Island, was unable to be present at the above meeting. Mr. James E. Green, of Maryland, resigned from the committee a day or two prior to this meeting.

REFERENCE OF PAPERS TO COMMITTEES.

Mr. Joseph Button, Insurance Commissioner of Virginia: Mr. President, I would like to make a motion that the papers that have been presented to this body since we have convened that have not been referred to the appropriate committees be now referred by the President.

Upon motion the motion was adopted unanimously.

ADJOURNMENT.

The convention then at about 1 o'clock p. m. took a recess until 2:30 o'clock p. m. of the same day, Thursday, July 31, 1913.

THIRD DAY

AFTERNOON SESSION.

THURSDAY, JULY 31, 1913, 3 P. M.

The convention was called to order by the President at 3 o'clock p. m.

Mr. W. C. Taylor, Insurance Commissioner of North Dakota: The Committee on Unauthorized Insurance is ready to report. (Report read by Secretary.)

REPORT OF THE COMMITTEE ON UNAUTHORIZED INSURANCE.

July 31, 1913.

Among the more important phases of the subject referred to your committee are the activities of unauthorized reciprocal underwriters. The Committee on Laws and Legislation have already reported a law under which these concerns may become authorized, and this has been passed in several States. In these States the underwriters are now authorized, and while it is desirable that they should have recognition, supervision of the departments, payment of taxes, and strict adherence to the mutual principle must be insisted on.

There is another class of underwriters which have come under the notice of your committee which is not worthy of any consideration. They are not promoted or maintained by large industries, but by individuals for personal gain. The application of the law above referred to will strike at these unworthy concerns. They crop up from time to time in various States—they are usually identified by the effective control being permanently located in one individual.

One objectionable form of unauthorized insurance is the insurance by large firms of its own employees—in some cases this is done by the mutual underwriting concerns—in other cases simply by the employer or corporation. If the employer provides the insurance at his own expense there can be no objection by the Commissioners, but usually the men have the premiums deducted from their wages, and the profits, if any—and there are generally profits—go to the employers. This is a breach of the mutual principle when it is undertaken by the reciprocal underwriter. It is a breach of the insurance laws when undertaken by the employers simply—in either case it should be called in question.

In certain miscellaneous forms of insurance some irregularities are apparent. For example, title insurance is becoming increasingly important—some States have no statute covering it—in other States the laws are being evaded. Much of this business is done by abstract companies which have no invested funds at all, but much of it is also being done by banks and trust companies which are not under the supervision of the departments.

Again, such forms of insurance as hailstorm are frequently being effected outside of the laws.

Another matter which has occupied the attention of your committee is the placing of insurance through brokers and agents in other States, withdrawing the business from the control of the home department and depriving that department of the premium

tax. In some cases this is done through the mails; in other cases through non-resident owners in unauthorized companies. The committee suggests that each State by law tax premiums received by companies located in such States which are not taxed in other States.

They further suggest a premium tax of at least 5 per cent. on all premiums paid to unauthorized companies, to be paid by the insured.

In this connection your committee desires to reaffirm the value of the Milwaukee resolution as to requiring the companies to furnish affidavits that they are not operating in States in which they are not licensed. In some States this is effective, but not in all, and if carried out generally it would be of great value.

They would further point out that much insurance is effected, on cotton and other exported goods, in foreign companies which render no account of such premiums. Probably most of these companies are entered in some one of the States, and might be reached there. If not, it will be found that most of this kind of insurance is placed through the local banks where the cotton is originally purchased. In such cases it might be found that the local bank handling transactions of this kind is in reality the agent of the company and a law definitely naming it as such would reach the seat of this trouble.

Sporadic cases of trespass by unauthorized companies turn up from time to time. These are usually checked at once by the vigilance of duly authorized companies and their agents.

The committee warmly welcomes the spread of the so-called "Blue Sky Law" into several States. Much has yet to be done to control the activity of the bonding and home purchase concerns, some of which are reputable, but many are the reverse.

The committee would again emphasize its attitude; all possible facilities to every honest insurance concern furnishing protection to the public, provided justice is done to the companies, now subject to the control of the department, should be afforded.

This committee has received and considered a communication from the Hon. William T. Emmet, Superintendent of Insurance for the State of New York, reviewing his experience with unauthorized companies and brokers.

His experience and that of the members of your committee leads them to recommend that the committee be made permanent in order that it may receive or secure data as to irresponsible companies or agents, and that all departments report to this committee data of this character that the committee may be in a position where from time to time it may advise the various departments in regard to such irresponsible companies and agents.

Submitted by
W. C. TAYLOR,
JOS. BUTTON,
CYRUS B. BROWN,
J. W. BLUNT,
JOHN E. HIGDON.

July 15, 1913.

To the Committee on Unauthorized Insurance.

Gentlemen: It has occurred to me that your committee will be interested in hearing what has been done by the New York Insurance Department during the past year and a half toward stamp-

ing out what is known as "wildcat" insurance in New York and elsewhere. The problem how best to cope with this crudest form of insurance abuse has not been fully solved as yet, but the record of any systematic effort in that direction which has met with partial success must necessarily be of some value in pointing a way to larger activities directed to the same end.

Shortly after I took office I established in the department what is known as the Complaint Bureau. I did this largely because the department had been for some time in receipt of many complaints from insurance departments of other States, growing out of the operations of a group of people who were using New York City as a base of activity in the selling of bogus insurance throughout the United States through the use of the United States mails. The practice of these men was to circularize insurance agents in all parts of the country, offering to place difficult lines in "licensed" companies at rates satisfactory to the assured. The companies thus utilized were Pennsylvania and Delaware mutuals. To these complaints we had been obliged to answer that inasmuch as the property insured was situated outside of New York State and the insurrance companies used were not under our supervision, we were powerless to stop their operations.

It was ascertained by Mr. J. L. Wood, who was placed in charge of the Complaint Bureau, that a certain Frank W. Anthony occupied a position of great prominence in transacting business of this character. This man was found upon investigation to have been engaged for more than twenty years in various insurance swindles and to have served at least one term in prison for the fraudulent use of the mails in connection with the sale of insurance policies. It was ascertained that when our investigation commenced, he was using the Lahaska Fire Insurance Company, a mutual concern with home offices in Philadelphia, as an organization through which to carry on his business.

In September, 1912, I addressed a letter to the Insurance Commissioner of Pennsylvania, asking permission to examine the records of the Lahaska Fire Insurance Company, with a view to finding out whether any New York State risks had been placed through Anthony. The Pennsylvania authorities having acceded to this request, I directed Mr. Wood to go to Philadelphia and examine the records of the company. This he did, and procured sufficient information against a son of Frank W. Anthony—Claire W. Anthony by name—to bring about his conviction on February 21, 1913. He was sentenced on February 28, 1913, to six months in prison for violation of Section 1199 of the Penal Laws of this State. No appeal was taken, and he is now serving this sentence on Ricker's Island in the City of New York.

At the suggestion of Commissioner Johnson, of Pennsylvania, Mr. Wood also interviewed Mr. Thomas B. Donaldson, a special Deputy Insurance Commissioner of Pennsylvania, who was acting as the receiver for eleven mutual fire insurance companies with whom these agents had placed a large amount of business before the companies had been forced into liquidation by the Pennsylvania department. Among the records of these companies was found evidence of several risks which had been placed on property located in New York State by Frank W. Anthony through a broker named Foster, of Chicago. A case was prepared and an indictment secured against Frank W. Anthony, but the case has not been brought to trial on account of the fact that Anthony has since pleaded guilty in Philadelphia to the charge of selling insurance in a fraudulent company. He was sentenced by the Pennsylvania

court to pay a fine of $500 and to serve nine months in prison in Moyamensing Prison, where he is now confined.

After the Pennsylvania companies were forced into liquidation, these agents turned their attention to Delaware as a State whose laws placed very few restrictions upon the formation of mutual fire insurance companies. Several such companies were organized during 1912 in Delaware and one in January of this year. In April of this year, Mr. Wood visited the Insurance Commissioner of Delaware, a Mr. McCabe, at Dover, and the managers of three of these companies, whose office was located in Dover. Mr. Wood found that the same group of agents who furnished the bulk of the business to the eleven Pennsylvania mutuals before they were liquidated, were furnishing practically all the business being written by the Delaware companies. He discovered also that the expenses of procuring their charters had been advanced by these agents who thereby secured control of the companies, and were enabled to enter into favorable agency contracts, whereby sixty, and in one case, seventy per cent. commissions were allowed the agent. Strong representations of the fraudulent character of the operations of these companies were made to Commissioner McCabe, who later revoked the licenses of all of the companies complained of, namely, The Equitable Fire Insurance Company of Wilmington, Delaware; the Home Fire Insurance Company; The American Fire Insurance Company, and the Mercantile Fire & Marine Insurance Company of Dover, Delaware.

A history of the operations of these agents and the companies used by them was laid before Chief Postoffice Inspector Keene at Washington, D. C., as it was thought that the federal authorities, with plenty money at their disposal and authority to bring witnesses from any State, were better able to prosecute offenders of this class than the authorities of the various States. Mr. Wood has had several interviews with Postoffice Inspector Barber, of New York, Cortelyou, Ryan and Earnshaw, of Philadelphia, and Plummer, of Wilmington, and he believes that the prospects are bright for ultimate prosecution and conviction by the federal authorities of all concerned.

The attention of Insurance Commissioner Gill, of Texas, was recently called to the fact that V. K. Bossonette & Company, of Waco, Texas, were soliciting insurance from agents in this State, offering to place insurance in the Provident Insurance Association of Waco, Texas, and The American Underwriters of St. Louis, Missouri, two unincorporated mutual associations of policyholders. A reply was received that these associations were not licensed by the Texas Department and were not under their supervision.

Another important case which was handled by the Complaint Bureau was that of the People vs. C. N. Pinkney Company and C. N. Pinkney, individual. He was convicted June 30th of representing unauthorized insurance companies, the property in this instance being located in Pennsylvania, but the policy having been issued in this State. The court held in this case, as in the Sedden case, that the "situs" of the property was immaterial, inasmuch as it was proven that the business of insuring was done within the State.

In addition to the above mentioned cases, the Complaint Bureau has investigated several corporations incorporated under the Business Corporation Law and the Membership Corporation Law of this and other States, which were found to be committing ultra vires acts and violating the insurance laws of this State. Although these companies might be considered "wildcat" insurance schemes,

they are "borderline" cases, and since in some cases it has not been legally decided that they have committed ultra vires acts, I will not touch further upon this class of companies.

I have deemed it proper to place these facts before your committee in order that they might have such consideration as seemed proper, and that in a possible report to the convention, if you so decide, such facts may be transmitted to that body for general consideration and discussion. I should be glad, personally, to see your committee recommend that other State departments should, wherever possible, follow some such procedure as is indicated in this communication, securing authoritative data as to irresponsible companies and agents; and that all departments which take the matter up in this manner shall be requested, in the future, to report all data of this character to the Committee on Unauthorized Insurance, so that your committee may be placed in a position where it can from time to time advise the various departments of the data thus presented to it. I believe that activity of this character on the part of a convention committee, acting as a bureau of information, will be of essential benefit to all departments.

Respectfully yours,

W. T. EMMET,

Superintendent of Insurance.

Upon motion the report of the committee was adopted unanimously.

Mr. T. M. Henry, Insurance Commissioner of Mississippi: Mr. President, the Fraternal Committee has had several meetings and has practically agreed upon its report, but there are one or two little matters that we will adjust this afternoon, not very material, and we will submit our report in the morning.

Mr. Willard Done, Insurance Commissioner of Utah: We have just held a meeting of the Committee on Publicity and Conservation and we will submit our report in the morning.

Mr. F. H. McMaster, Insurance Commissioner of South Carolina: The special committee on Cost of Life Insurance, Expense Loading in Life Insurance Premiums, Compensation of Life Insurance Agents, and Segregation of Non-participating and Participating Insurance in the Same Company begs to report progress, that it has gathered some data and some information, but it asks that the committee be continued.

Mr. Darst, Mr. Emmet and myself are members of that committee.

Upon motion the committee was continued unanimously.

Mr. Willard Done, Insurance Commissioner of Utah: The Special Committee on Resolutions on the death of Mr. Clayton will report in the morning.

Mr. H. L. Ekern, Insurance Commissioner of Wisconsin: I will offer the following resolution and ask that the Secretary read it.

(Secretary reads.)

Resolved, That a special committee of nine members be appointed by the President and required to investigate the rates charged by fire insurance companies, the methods of making such rates, the effect of anti-trust and other related laws upon such rates and upon the making thereof, and to report thereon from time to time

to this convention; and, if legislation be found desirable, to report its recommendations for legislation which shall be uniform as far as possible for the several States.

HERMAN L. EKERN,
JAS. G. REVELLE,
J. A. O. PREUS.

Mr. H. L. Ekern, Insurance Commissioner of Wisconsin: My purpose in offering this resolution is to meet a question which is very apparently prominently coming before this convention and before the country.

Now, it was my intention this morning to have suggested to this convention the undesirability of doing anything that will appear like taking sides between the State of Missouri and the companies.

Now, it is very apparent that there will be more or less action by legislatures on this question of making rates in fire insurance. This convention has been very successful for a number of years in formulating uniform legislation. That legislation has quite often met the approval of the legislatures of a number of the States. I do not believe that this convention can do anything more helpful at this time than to begin this sort of an inquiry.

It has been the intention of the proposers of this resolution to so frame it that it does not commit the convention in any way upon the question. It is merely asking for light.

Now, it is proposed to create a special committee for this reason, that in the State of Ohio they are now investigating this question. The State of Missouri, as you all know, is in a position to want some light on it; and a number of other States are similarly situated. A special committee in the State of Wisconsin reported upon this question, reported what we thought was a solution that would be accepted generally by the fire insurance people and the insured alike. As a matter of fact, until the Missouri situation arose, I am sure that a majority of the Managers in the City of Chicago approved the legislation that we proposed. On account of the developments their attitude changed. I believe that that change was wholly temporary. And I believe that intelligent action at this time will be of interest to the States where this question is particularly alive, as well as the representatives of other States, and that they are willing to take this up on a committee, and that it will be productive of good results. And I therefore move the adoption of the resolution.

Mr. J. R. Young, Insurance Commissioner of North Carolina: I would like to ask if anything is called for in the resolution that would not be done by the Committee on Rates of Insurance Companies, one of the standing committees?

Mr. H. L. Ekern, Insurance Commissioner of Wisconsin: For this reason, the committee proposed will deal with the particular phase of this question and the standing committee deals with all rates.

And it will be desirable, I think, to see that the committee includes representatives of States that are interested. I do not know whether

this committee will be appointed by the present President or the new President; but I am sure that the relationship between the present President and the new President are such that there will be no difficulty in framing the committee between the two.

Mr. James R. Young, Insurance Commissioner of North Carolina: It seems to me that the same thing will be accomplished by directing this committee, which does not have very much work to do, to do this. It does not make any difference to me one way or the other.

Upon motion the resolution offered by Mr. Ekern was adopted unanimously.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut, submits letter, which is read by the Secretary.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut: I received that letter yesterday afternoon, and I am not prepared to discuss the question one way or the other.

I ask that that letter be referred to the Committee on Fraternal Insurance; and if there is no objection I move that it be sent to the Committee on Fraternal Societies.

The motion of Mr. Mansfield was adopted unanimously.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut: I have a resolution which I wish to have the Secretary read. (Resolution read by the Secretary.)

Whereas, by reason of the care with which life insurance companies must select their risks, so as to avoid discrimination in placing on their policyholders in non-hazardous and normal occupations and employments the unfair burden of bearing the extra insurance expense which would follow if insurance at regular rates were issued to persons subjected to the risks of extra hazardous occupations, and

Whereas, by reason thereof, a condition exists at the present time whereby persons engaged in extra hazardous occupations, such as miners, aviators, sub-marine workers, powder mill employees, etc., cannot receive the benefits of life insurance at normal rates covering them against death from causes other than those resulting from the hazard of their occupation or employment, and

Whereas, it is desirable that such persons be enabled to secure such insurance, be it

Resolved, That the law prescribing standard provisions for life insurance policies should be amended so that in the provisions specifying that the policy shall be incontestable after not more than a given number of years from its date, there shall be added in substance the following amendment:

Provided, That a company may stipulate in policies issued to persons subjected to the risk of extra hazardous or prohibited occupations that in the event of death not caused by or resulting from such occupations the insurance payable shall be the full amount of the policy, and that in the event the insured is killed or receives injuries resulting in death while engaged in stipulated hazardous occupations or acts, the insurance payable shall be the amount of the reserve maintained on the policy.

Upon motion the resolution was unanimously referred to the Committee on Laws and Legislation.

MINUTES OF EXECUTIVE COMMITTEE MADE PART OF PROCEEDINGS.

Upon motion the Minutes of the meeting of the Executive Committee meeting at Richmond, Virginia, were ordered to be made a part of the proceedings of this convention.

EXECUTIVE COMMITTEE MEETING.

Richmond, Va., June 20th, 1913.

The Executive Committee of the National Convention of Insurance Commissioners met in the Hotel Jefferson.

Present:

C. A. Palmer, Commissioner of Michigan, Chairman.
H. L. Ekern, Commissioner of Wisconsin.
Burton Mansfield, Commissioner of Connecticut.
Joseph Button, Commissioner of Virginia.
J. A. O. Preus, Commissioner of Minnesota.
Henry D. Appleton, First Deputy, New York.
F. H. Hardison, Commissioner of Massachusetts.
J. R. Young, Commissioner of North Carolina.
E. H. Deavitt, ex-officio Commissioner of Vermont.
F. H. McMaster, Commissioner of South Carolina.
W. B. Howard, Commissioner of Nebraska.
Samuel W. McCullough, Deputy of Pennsylvania.
J. H. Woodward, Auditor of New York.
J. H. Hammond, Actuary of Connecticut.
R. E. Ankers, Actuary of Virginia.

Chairman Appleton, of the Committee on Blanks, submitted the report from that committee.

The report of the committee was adopted except as follows:

(a). Its recommendation that lines 110-119 inclusive, and line 126, on page 9 of the life blanks of 1912, be eliminated, was rejected and these lines were ordered left in the blank.

(b). Its proposed use of the word "rebates" in the footnote on page 2 of the miscellaneous blank and wherever else it occurred in like sense in the blank was ordered to be changed to the word "abatement."

(c). The report of the committee in respect to mutual fire blanks was amended so as to make the mutual fire blank suggested the regular convention form for mutual fire insurance companies.

Schedule "B" of the life blank was referred back to the committee for further consideration and report.

The Classification of Disbursements of Life Companies was left with the committee for further consideration.

The report of the Committee on Casualty and Surety Companies was received as information.

The report of the Committee on Fraternal Associations was received as information.

The report as amended was adopted as a whole.

The miscellaneous blank as changed will be printed and the report as amended will be printed and furnished to all departments.

A communication from the Panama-Pacific International Exposition asking that a representative of the convention be appointed a member of the National Council of the Exposition on insurance was referred to the National Convention.

The Secretary of the convention was instructed to communicate

with all Insurance Commissioners in those States in which workmen's compensation laws have been passed, or proposed and rejected, and request that a short paper be written for reading at the convention at Burlington, and to be made a part of the proceedings of the convention.

On request the title of the paper to be read by Commissioner Preus, of Minnesota, on the second day of the convention was changed to "Insurance Education."

The committee adjourned at 1:30 p. m.

AFTERNOON SESSION.

The committee met at 3 p. m.

Mr. Piper addressed the committee on behalf of the fraternals in respect to group insurance of fraternals by insurance companies He stated that the fraternals had no intention of opposing group insurance, but that they did object, especially at this time of readju-tment, to proposals to apply this form of insurance to fraternal orders by insurance companies.

The subject matter of Mr. Piper's remarks was referred to the Committee on Laws and Legislation with instructions to report to the convention at Burlington.

The valuation of the bonds of the Montana Pulp and Paper Company was referred to the Committee on Valuation of Securities for reconsideration, investigation and report.

The committee then adjourned.

JUNE 21ST, 9:30 A. M.

The committee met in executive session.

A reported examination of an insurance company by an insurance department without preliminary notification to the home department of the company, nor to the Committee on Examinations, was considered and referred to the Chairman of the Committee on Examinations for consideration and report.

The completion of the report on the examination of the Independent Order of Foresters was referred to the Departments of Wisconsin, Nebraska, together with Commissioner Young, Chairman of the Committee on Examinations. The Executive Committee expressed its disapproval of the renewal of the contract of the Foresters with the Union Trust Company. The committee was requested to report at the Burlington convention.

The Chairman of the Executive Committee was instructed to appoint a committee, with the Superintendent of Insurance of New York as Chairman, to act as a clearing house for the purpose of gathering the rulings of the various departments in respect to the standard accident and health policies, with the recommendation to the various departments that requests for rulings from the companies, or requests for information involving rulings, be submitted to this committee before the issuance of rulings by any of the departments.

The Chairman appointed Supt. Emmet, Commissioners Mansfield, Deavitt and Hardison as this clearing house committee.

The Chairman of the Committee on Examinations was instructed to take up the matter of examination of certain classes of companies when requested by departments, and to make requests for examiners from the various departments.

By a rising vote the committee unanimously expressed its thanks to Chairman Palmer for his courteous and efficient management of the affairs of the Executive Committee.

Chairman Palmer expressed his appreciation for the action of the committee, and told of his regret at his retirement from its membership on July 1st.

Resolutions of thanks to Commissioner Button and other citizens of Richmond who had extended courtesies to the committee were unanimously passed.

The committee then adjourned **sine die**.

ADJOURNMENT.

The convention then took a recess until 10 o'clock a. m. of the following day, Friday, August 1, 1913.

FOURTH DAY

MORNING SESSION.

FRIDAY, AUGUST 1, 1913, 10 A. M.

The convention was called to order at 10 a. m. by the President.

The Secretary: Gentlemen, I wish to say to you that recently I sent a circular letter to all of the departments—I suppose that each of you got it—asking for back volumes of the Proceedings of the Conventions. I was successful in receiving a number of back volumes from several of the Commissioners; indeed, some of the Proceedings as far back as 1891 and 1892 and along there.

I do not know that I will be able to supply all of the requests made upon me; but if any of you desire back volumes I will supply you with all that I have.

I want to say that there is an increasing demand for not only back volumes but current volumes from libraries and colleges throughout the country. We have just about enough to supply the demand. I think I had two left over last year. I supplied all the colleges and libraries that requested them.

The President: We have a long programme and we will begin upon it immediately. California is the first State. No paper has been sent, and the representative is not here.

The next State is Connecticut.

Hon. Burton Mansfield:

(The full text of Mr. Mansfield's paper will be found in the appendix.)

The President: We will now hear from Commissioner Van Valkenburg, of Idaho.

Hon. E. F. VanValkenburg:

(The full text of Mr. VanValkenburg's paper will be found in the appendix.)

The President: The next on the programme is the report from the Commissioner of Illinois. If he is not present we will pass over that for the time being and hear from the Commissioner of Kansas.

Hon. I. S. Lewis:

(The full text of Mr. Lewis's paper will be found in the appendix.)

The President: We will now listen to Mr. Hebert, of Louisiana.

Hon. A. E. Hebert, Secretary of State and *ex-officio* Insurance Commissioner of Louisiana: Mr. President and fellow-commissioners, I have to plead the indulgence of the Court and admit on the part of Louisiana that we have come as the Foolish Virgin unprepared to make any statement as to the Compensation Workmen's Act or to read any paper on that subject.

The State of Louisiana has been so busy with its various insurance legislation that at the session of 1912 we found it impossible to deal with this subject beyond the passing of some few laws with regard to the law of evidence in the trial of compensation cases. And we found that it was necessary to have the Judiciary Committee of the legislature appoint a Joint Commission to report to the legislature of 1914 a bill covering this subject.

I hope that in going back to Louisiana I shall have gathered enough from this convention to assist in the passing of a statute on the subject of workmen's compensation that will add to the welfare of the people of our State.

And Louisiana feels that though tardy in this legislation, if we can only stand aside as the humble hod carrier and watch the magnificent edifice that the various Commissioners of the various States throughout the United States have built up to alleviate the suffering of the working classes, that we would have accomplished that part of our duty as a sovereign State.

I thank you. (Applause.)

The President: The next on the list is Massachusetts, and the report will be presented by the chair.

(The full text of Commissioner Hardison's paper will be found in the Appendix.)

The President: A paper has been filed with the Secretary from the Commissioner for Nebraska. We will pass that for a while and hear a paper from the Commissioner from New Hampshire.

Hon. Robert J. Merrill, Insurance Commissioner of New Hampshire: Mr. Chairman, I have not prepared any paper dealing with workmen's compensation in New Hampshire. In fact, if I had attempted to do so it would have resembled very closely the famous essay of the school boy on the snakes of Ireland.

In the legislature of 1911, of which I was a member, we attempted to reform pretty much everything in New Hampshire and were pretty successful in doing so. And one afternoon we passed a workmen's compensation bill. None of us had ever heard of a minimum wage in those days, so that we didn't establish the precedent of confusing the minimum wage proposition with the workmen's compensation. But aside from that I fear that we knew very little about the subject.

The execution of the workmen's compensation law is under the

Bureau of Labor in my State, the Insurance Commissioner having nothing to do with it. And when it is considered that the Bureau of Labor consists of one Commissioner and a lady clerk (laughter) and that he has under his charge the settlement of strikes, the enforcement of our labor laws, and so forth, it will readily be perceived that he has very little time to spend on the subject of workmen's compensation. Also considering the fact that he receives the munificent salary of $1,600 a year.

The records in the Bureau of Labor indicate that fifteen employers of New Hampshire have elected to come under the provisions of our workmen's compensation law, employing about 20,000 of our operatives. The largest industrial concern in the State, Amoskeag Manufacturing Company of Manchester, is one of these concerns and employs more than 16,000 of the operatives who are under the provisions of the act.

Now, our law seemed to read pretty well, and the provisions in regard to benefits were on the whole fair, and the only trouble with the law is that it won't work, which is some trouble. (Laughter.)

Member: Otherwise all right. (Laughter.)

Mr. Merrill: Otherwise all right. We are not wholly to blame for the fact that our law is framed so that it will not work. We paid a good deal of attention to the State of New York in those days, for some reason or another (laughter); and the famous Ives case was on the way at the time that we were passing our bill and so we said that whatever we would do we would escape the constitutional objections that were being brought up in that Commonwealth. Since then we have decided that we might perhaps follow some other leader. (Laughter.)

The law is elective all the way through. The manufacturer must elect whether he will come under it or not. Having so elected, however, there is no assurance that his employees will come under the act, because after the employee has met with an accident he then has the right to decide whether he will receive compensation under the act or whether he will sue. (Laughter.)

Now, in passing our act we seemed to lose sight of the fact that there were such organizations as liability insurance companies to be considered. Of course we knew that the practices of the liability insurance companies were bad and that their practices were the chief reasons for changing the law. But we paid no attention to what the liability insurance companies might think of the risk which the law would put upon the employers; and it so happened that the rates which are now being charged by the liability insurance companies in New Hampshire are about three times as much to the employer coming under compensation as to the employer who does not. And while our employers are on the whole progressive and public spirited, yet most of them fail to go to the limit. (Laughter.) And so the companies that are under the act are, most of them, I think, with one

or two exceptions, companies of such substance that they are able to carry their own insurance.

And now, I think from this brief statement of the workmen's compensation law of New Hampshire you will readily see that it is a subject worthy of your best consideration if you are thinking of passing a law in your own State (laughter), for one reason or another.

I do not believe that I can take up any more time profitably. (Applause.)

The President: In the absence of New Jersey, New York is the next in order.

Mr. Henry D. Appleton, Deputy Insurance Commissioner of New York: In the absence of Mr. Emmet, who was called to New York on business of importance, I beg leave to present his paper, and ask that the other Commissioners present be heard first and then if there is time to read it I will read it; but the members will have a copy of the paper.

The President: If there is no objection we will follow that method of procedure.

(The full text of Mr. Emmet's paper will be found in the Appendix.)

The President: I will now call upon the Ohio Commissioner, Mr. Moore.

Hon. E. H. Moore, of Ohio:

(The full text of Mr. Moore's paper will be found in the Appendix.)

Mr. H. K. Darling, of the Commission to investigate Workmen's Compensation for the State of Vermont: Does your act provide for a classification?

Mr. E. H. Moore, Insurance Commissioner of Ohio: Yes, sir, it does.

The President: We now come to Utah, and we will listen to Commissioner Done of that State.

Mr. Done: Mr. President and gentlemen, I know that what I shall say here will be a somewhat discordant note in the chorus that you have heard. Not that I want you to understand that I am opposed to that kind of legislation; it is pointed out as very necessary; but I am going to call your attention to what I consider some few difficulties in the way of getting that legislation. And I apologize for presenting this, because Utah has not yet passed a compensation law, in which we are similar to a number of the other States. Therefore, I am here raising some questions which I hope the Commissioners and representatives of the various States will answer for our benefit. And that is the reason for the somewhat different character of my paper from those that have been already presented.

(The full text of Mr. Done's paper will be found in the Appendix.)

The President: The Commissioner of Washington has filed a paper, which is in the hands of the Secretary. We will pass that for the present.

Mr. E. H. Deavitt, State Treasurer, *ex-officio* Insurance Commissioner of Vermont: Mr. President, there are some delegates that would like to hear that paper, and they may be compelled to leave before this meeting is through, and if that paper could be read I know it would be very much appreciated by some of our officials who are here.

The President: If it is the sentiment of the convention we will hear the paper filed by the Commissioner from Washington.

The Secretary: This is a letter from Mr. Fishbeck. (Reads.)

(The full text of the paper will be found in the Appendix.)

The President: The Commissioner from Wisconsin, Mr. H. L. Ekern.

Mr. Ekern: In view of the fact that the details of the legislation have been discussed I have just in my paper attempted to call attention to some of the differences and to some of the amendments to the act.

(The full text of Mr. Ekern's paper will be found in the Appendix.)

(During the reading of his paper and just before the sentence beginning: "This act went into effect," etc., Mr. Ekern spoke extemporaneously as follows:)

Mr. Ekern: Our Commission does not sub-divide its territory between the members of the Commission. The work is sub-divided by classes of work.

If there are hearings to be had, instead of going away from the State Capitol they are either held jointly by the Commission, and in a few instances by a member of the Commission, or more frequently by an agent of the Commission, whom the law authorizes to act for that purpose, and the Commission may designate as many agents as it pleases, acting very similar to Referees in Court proceedure.

There is another thing about this matter of commission administration, your Governor this morning raised the question as to getting the necessary ability for the execution of the law, which is, of course, a very pertinent question. And it is well to have in mind that after all any law of this kind must have for its success the manner of its administration, and that you must get the proper kind of men as Commissioners if you are going to have a successful administration of any law.

The President: What is the pleasure of the convention as to unread papers filed with the Secretary?

Mr. J. S. Darst, Auditor of State and *ex-officio* Insurance Commissioner of West Virginia: It looks to me like it would be sufficient to have them printed in the report and let the members read them in the report.

The President: You mean to dispense with the reading of them at this session and have them printed?

Mr. Darst: Yes, sir.

A motion to this effect was carried unanimously.

(The papers referred to will be found in full in the Appendix.)

APPOINTMENT OF SPECIAL COMMITTEE ON FIRE RATES.

The President: This closes the regular programme.

The Chair takes this opportunity to announce the appointment of the committee in reference to the resolution of Commissioner Ekern as to fire rates:

H. L. Ekern, Wisconsin.
Charles G. Revelle, Missouri.
Burton Mansfield, Connecticut.
J. A. O. Preus, Minnesota.
Wm. Mason Sheehan, Maryland.
E. H. Moore, Ohio.
W. T. Emmet, New York.
Charles Johnson, Pennsylvania.
E. F. VanValkenburg, Idaho.

REPORT OF COMMITTEE ON LAWS AND LEGISLATION.

Mr. J. A. O. Preus, Insurance Commissioner of Minnesota: On behalf of the Committee on Laws and Legislation I desire to submit the three following reports and move the adoption of each of them:

The President: You hear the motion of Commissioner Preus? The Secretary will read the reports. (Secretary reads.)

The Committee on Laws and Legislation makes the following report:

It is recommended that the Insurance Commissioners of the various States secure the enactment of the following proposed bill where it is not already on the statute books:

Be it enacted:

Section 1. No certificate of authority or license to transact the business of insurance in this State shall be granted by the Insurance Commissioner to any insurance corporation, association, or fraternal society hereafter applying therefor, if such corporation, association or fraternal society has the same name as another corporation, association or fraternal society authorized to transact such business in this State at the time of applying for such certificate or license, or a name so nearly resembling it as to be likely to deceive.

Sec. 2. No company, association or fraternal society shall become incorporated or organized in this State if such company, association or fraternal society has the same name as another company, association or fraternal society authorized to do business in this State at the time of the passage of this act, or a name so nearly resembling it as to be likely to deceive.

E. H. MOORE,
CHARLES JOHNSON,
W. T. EMMET,
JOHN E. HIGDON,
J. A. O. PREUS,
HERMAN L. EKERN,
JOHN T. WINSHIP,
BURTON MANSFIELD,
ROBERT J. MERRILL,

The report was unanimously adopted.

(Secretary reads.)

The Committee on Laws and Legislation makes the following report:

It is desirable that the different States which prescribe that certain standard provisions be contained in life insurance policies enact into law the following reciprocal provisions as to provisions in policies:

"The policies of a life insurance company, not organized under the laws of this State, may contain any provision which the law of the State, territory, district or country under which the company is organized, prescribes shall be in such policies when issued in this State, and the policies of a life insurance company organized under the laws of this State may, when issued or delivered in any other State, territory, district or country, contain any provision required by the laws of the State, territory, district or country in which the same are issued, anything in this act to the contrary notwithstanding."

J. A. O. PREUS,
HERMAN L. EKERN,
JOHN T. WINSHIP,
BURTON MANSFIELD,
ROBERT J. MERRILL,
E. H. MOORE,
CHARLES JOHNSON,
W. T. EMMET,
JOHN E. HIGDON.

The report was unanimously adopted.

(Secretary reads.)

The Committee on Laws and Legislation report as follows:

At the time of the investigation of health and accident companies by the Special Committee of the National Convention of Insurance Commissioners in 1910, it was felt that what is known as "Profit Sharing Contracts" in this business should be prohibited. At the annual convention in 1911 the Committee on Laws and Legislation was directed to draft a bill which might be introduced in the various States prohibiting health and accident companies from entering into this class of contracts. A sub-committee of the Laws and Legislation Committee, consisting of the following Commissioners: C. A. Palmer, Michigan; Charles Johnson, Pennsylvania, by his Deputy, Samuel McCollough, Herman L. Ekern, of Wisconsin; J. A. O. Preus, Minnesota, met at Chicago some time ago and it was determined by this sub-committee that it would be most expedient that each Commissioner or supervising official secure an amendment to the existing laws of his respective State without submitting a form of statute for introduction. The Committee on Laws and Legislation adopted the report of the sub-committee and recommends to the convention that "every Commissioner of Insurance or supervising official draft an amendment to the existing laws of his State prohibiting any health and accident company from entering into what is known as "Profit Sharing Contracts" with agents.

The sub-committee of the Committee on Laws and Legislation also had under consideration the advisability of drafting a proposed uniform bill for the operation of mutual fire insurance companies. A full hearing was given to the following gentlemen: G. A. McKinney, Secretary Miller's Mutual Fire Insurance Association of Illinois, Alton, Ill.; Glenn Walker, manager the Millers' Mutual Fire Insurance Company of Texas, Fort Worth, Texas; John H. Offa, Secretary

Pennsylvania Millers' Mutual Fire Insurance Company; L. R. Welch, President Fitchburg Mutual Fire Insurance Company; C. A. McCotter, Secretary Grain Dealers' National Mutual Fire Insurance Company; F. J. Martin, President North Western Mutual Fire Association. A proposed draft of bill was submitted by Mr. L. R. Welch. It was found, however, that the bill referred to was not satisfactory either to the sub-committee or the company officials present. The company managers asked that they might be given further time to consider the matter, with a view that they might agree among themselves at least as to certain salient features to be contained in the measure, and that no action be taken by the convention at this time nor until after the National Association of Mutual Fire Insurance Companies might have had its next annual meeting and might have considered this question. The Committee on Laws and Legislation desires to report progress and asks that it may continue its consideration of this subject and recommend a bill at the next meeting of the National Convention of Insurance Commissioners.

The sub-committee above referred to also gave consideration to the direction of the National Convention of Insurance Commissioners that the Committee on Laws and Legislation determine the advisability of securing uniform legislation for the writing of automobile policies covering all the hazards incident to the operation and ownership of automobiles. The Committee on Laws and Legislation deems it inadvisable at this time to endeavor to secure uniform legislation in the various States for the writing of this class of policies. The committee reports progress in its investigations, and desires to be instructed to continue its consideration of this subject.

J. A. O. PREUS,
HERMAN L. EKERN,
JOHN T. WINSHIP,
BURTON MANSFIELD,
ROBERT J. MERRILL,
CHARLES JOHNSON,
E. H. MOORE,
W. T. EMMET,
JOHN E. HIGDON.

The report was unanimously adopted.

REPORT OF COMMITTEE ON PUBLICITY AND CONSERVATION.

Your Committee on Publicity and Conservation begs leave to report its progress during the past year.

On account of the variety of subjects included in the field of its work, it was thought well to sub-divide the committee and to assign to each sub-committee certain specific labors. Accordingly three sub-committees were formed, one on publicity and education, with Commissioner J. A. O. Preus as chairman; one on fire prevention, with Commissioner John S. Darst as chairman, and one on life conservation and prevention of accidents, with Commissioner O. S. Basford as chairman. These sub-committees were requested to secure such data as they were able in the short time allowed, and make report to the general committee during this convention. The sub-committees have shown commendable diligence, and were able to present very satisfactory statements to the general committee.

The report of the sub-committee on publicity and education is set forth mainly in the paper read before the convention by Commission Preus, which is here referred to and made a part of this report.

The main committee acquiesces in his recommendation that the individual Commissioners use their best efforts to secure the adoption of elementary courses in insurance and its co-ordinate branches of conservation in the public schools of their States.

The chairman of the sub-committee on life conservation and prevention of accidents also presented a paper, and such portions thereof as are germane to the subject are herein referred to as the report of this sub-committee and presented as a portion of this report.

The sub-committee on fire prevention reports thus:

The sub-committee of the committee on publicity and conservation appointed to consider the subject of fire waste have to report as follows:

This subject has been so often discussed and carefully considered in recent years that this sub-committee deems it unnecessary to take up an exhaustive analysis of present conditions or proposed remedies. Our report is therefore confined to an outline of remedies within the province of supervising officials which, in our opinion, will assist in the reduction of fire waste.

I. A fire marshal law that gives the fire marshal full authority to inspect all buildings and have removed improper hazards. Such a law known as the Model Fire Marshal Law has already been adopted in several States.

II. The encouragement of greater strictness in building ordinances so that methods of construction from the standpoint of fire hazard may be improved.

III. Co-operation with the various fire-prevention associations in their campaign of education.

IV. Instruction in the public schools on the subject of fire prevention.

V. Give Insurance Commissioners the right to revoke agent's licenses for over insuring property, and place more responsibility on the agent in regard to inspection and valuation. With this end in view the agent should require, when placing the additional insurance rider on a policy, to state specifically in dollars the amount of other insurance permitted (except for constantly changing values, such as stocks of goods), instead of permitting an endorsement in blank such as is now used in many localities.

VI. Place greater responsibility on the insured.

VII. A fire prevention and clean-up day at least once each year.

VIII. The elimination of the more dangerous kind of matches.

Very respectfully,

J. S. DARST,
Insurance Commissioner of West Virginia.

W. C. TAYLOR,
Insurance Commissioner of North Dakota.

This is also presented to the convention as a part of this report:

At a meeting of the committee held July 31, 1913, the active co-operation in the work of this committee of various agencies for education and conservation was invited and assured by representatives of those organizations in attendance at the meeting.

The undersigned respectfully suggest that this committee give its chief attention for the present to co-operation with educational institutions, associations of insurance companies, and various bodies engaged in the conservation movement. It is also suggested that

encouragement be given by this committee to these agencies by assisting them in their work, and giving it official sanction through the various insurance departments.

Respectfully submitted,
WILLARD DONE,
J. S. DARST,
W. C. TAYLOR,
JOHN E. HIGDON,
O. S. BASFORD,
J. A. O. PREUS,
F. H. McMASTER.

The report was unanimously adopted.

REPORT OF SPECIAL COMMITTEE TO AUDIT BOOKS OF SECRETARY AND TREASURER.

Report of F. H. McMaster, Secretary-Treasurer, for the Year 1912-1913.

July 15, 1912, balance brought forward	$332.28
Received from the following States for expenses of National Convention: Alabama, California, Colorado, Connecticut, Illinois, Iowa, Kentucky, Maine, Massachusetts, Michigan, Montana, New Hampshire, New Jersey, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia, Wisconsin, Wyoming, 26 States at $80 each	2,080.00
Florida, $25; Kansas, $65; New Mexico, $40	130.00
From sale of proceedings	39.64
From interest	40.76
Miscellaneous credits	95.95
Total	$2,718.63

DISBURSEMENTS.

Stationery, stamps and printing	$206.87	
Telegrams and express	46.77	
Exchange	4.81	
Stenographic report Spokane Convention	265.00	
Other stenographic work and clerical work	21.75	
Printing proceeds Spokane Convention	776.45	
Membership Fire Protection Association	25.00	
Chairman Committee on Examinations	195.15	
Salary Secretary	200.00	
	$1,741.80	
Balance on hand	976.83	
		$2,718.63

We find the above account correct and vouchers furnished for all except a few minor items.

NELSON B. HADLEY,
H. P. HAMMOND,
H. P. ORR,
Committee.

REPORT OF SPECIAL COMMITTEE APPOINTED TO CONFER WITH THE FEDERAL GOVERNMENT ON CLAIMS AGAINST SURETY COMPANIES.

Your special committee appointed at the April meeting of the convention to confer with the federal authorities with respect to the preference claimed by the federal government in claims against fidelity and surety companies have attended to their duty and beg leave to report that they had an interview with a representative of the Department of Justice at Washington in the month of June last. Your committee found that the subject was under consideration by the department and that it was expected to give a formal legal opinion to the Treasury Department with regard to the matter within a few weeks, and specifically before the annual meeting of this convention. The matter was discussed briefly between your committee and the representatives of the Department of Justice, who invited your committee to file briefs if they had views to express on the legal aspects of the question.

As it was anticipated that this contemplated opinion would give your committee the information for which it was seeking at your behest, your committee allowed the matter to rest for the time being.

Under date of July 12th, each member of your committee received from Mr. Ingham, the District of Columbia member of the committee, a letter enclosing copy of a communication from the Treasury Department to a committee of the fidelity and surety companies, which reads as follows and is self-explanatory:

"July 8, 1913.

"Messrs. C. W. Fletcher and J. Kempt Bartlett, Committee representing Surety Association of America.

"Gentlemen: A protest has been filed by you, as a committee of the Surety Association of America, against certain present and contemplated action of this department in its ascertainment of the assets and liabilities of surety companies. Objection is made to the proposed deduction of special deposits of surety companies in ascertaining their surplus, and to the practice of refusing to allow credit for reinsurance premiums where such reinsurance has been effected with companies not among those doing business with the government.

"Very careful consideration of your representations has been given by the department. The seriousness of the questions raised, both to the surety companies and to the department, is fully understood. In arriving at its decision in the matter, the department has had the assistance both of its own solicitor and of the Department of Justice. In both instances, this aid was given after the fullest consultation with the committee of which you are members. Under date of June 30th, 1913, the department is advised by the Department of Justice that there is now pending in the Court of Appeals of Maryland the adjudication of a claim on the part of the United States against the United Surety Company, which company has become insolvent, on the bond of one C. Maffioli. In this case the government contends that as to the general deposit made by the United States Surety Company with the State of Maryland, the government is a preferred creditor, under Sections 3466 and 3467 of the Revised Statutes. This case would appear to give opportunity for the throwing of additional light upon the question of special deposits. Pending its determination, it is the

purpose of the Treasury Department to continue to allow surety companies credit for special deposits where the same are held by the Insurance Commissioners of the several States, or required to be made under the ordinance of any municipality of the rule of a court within the United States.

"The result of the department's investigations is not such as would seem to warrant it in giving surety companies credit for special deposits made by them with officials of foreign countries. The companies will not, therefore, be credited with such deposits in ascertaining the surplus upon the basis of financial statements beginning with the June quarter, 1913.

"Neither does the department find that it would be justified in allowing surety companies credit where risks have been reinsured with, and premiums paid to, companies not authorized to do business with the government under the provisions of the Act of Congress approved August 13, 1894, (28 Stats., pp. 279-280), as amended by the Act of Congress approved March 23, 1910, (36 Stats., p. 241).

"A copy of this communication has been forwarded to each surety company reporting to the Treasury Department, that its quarterly financial statements may hereafter be prepared in conformity with this decision.

"Respectfully,
"(Signed) W. J. McADOO, Secretary."

In view of this it appears evident to your committee that the federal authorities are holding that federal claims against fidelity and surety companies are preferred claims.

Your committee, therefore, recommends that the convention now refer the whole subject to the Committee on Fidelity and Surety Insurance Companies with instructions to investigate and make such recommendations at the December meeting of the association as they deem that the circumstances warrant in view of the attitude of the federal authorities.

FRANK H. HARDISON, Massachusetts,
JOSEPH BUTTON, Virginia.
E. H. MOORE, Ohio.
WM. MASON SHEHAN, Maryland.

The report was unanimously adopted.

REPORT OF COMMITTEE ON FRATERNAL INSURANCE.

Mr. T. M. Henry, Insurance Commissioner of Mississippi: Mr. President, I desire to submit the report of the Committee on Fraternal Insurance.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut: Mr. President, before that is reached may I say a word about the matter?

At the request of some of the representatives of some of the fraternal societies I would like to make a statement to get it upon the record.

In common with all of the Commissioners I have received letters from all the fraternal societies with reference to group insurance being applied to them. The gentlemen who appeared before this committee asked me if I would make this statement as a sort of

basis for their appearance and as a sort of confirmation of their appearance, which I am glad to do.

The Committee on Fraternal Insurance submits the following report:

Substantial progress has been made during the year in securing the adoption of the uniform bill for the regulation of fraternal societies in the several States.

Considerable opposition developed to the bill as adopted at Mobile, Alabama, in 1910.

Your committee, in connection with the Executive Committee of the convention, met representatives of the various national organizations of fraternal societies in New York in December, 1912. At this meeting the objections to the Mobile bill were carefully discussed and considered. These objections largely centered on Sections 23 and 23a of the bill.

The joint meeting most happily agreed to a modification of the bill by adding an alternative section known as Section 23b. This new section provides a method whereby societies which are unable to secure the consent of their membership to a readjustment upon adequate rates at attained ages may better their financial condition in the following manner:

(a). Accumulated funds to be apportioned and credited to old members.

(b). Savings from mortality and excess earnings may be credited to old members.

(c). Annual statements to be furnished to each member showing exact financial standing of same.

(d). Requirement that deficiencies in contribution shall be made good annually by each individual member where deficiency exists.

The bill, as amended, has seemed to meet the wishes of those who objected to the Mobile bill, and all opposition to the bill on the part of organized associations has been withdrawn. Instead of opposition the three national organizations are loyally supporting the New York conference bill.

The following States have adopted the New York conference bill as a whole or have amended the Mobile bill previously adopted, so as to conform to the New York bill: Arizona, Connecticut, Idaho, Massachusetts, Rhode Island, Michigan, New Hampshire, New York, North Carolina, North Dakota, Tennessee, Texas, Wisconsin and Wyoming—13.

The following States have the Mobile bill: Alabama, California, Colorado, Louisiana, Maryland, Missouri, Montana, Ohio, Oregon, Utah and Washington—11.

The following States have the old Uniform Law, which in principle is the same as the New York conference bill, except as to the sections requiring valuation and publicity,: Indiana, Iowa, Maine, Minnesota, Oklahoma and Vermont—6.

In Mississippi and South Carolina the Mobile bill has been put in force by departmental ruling—2.

We urge Commissioners in the several States where the bill has not been adopted, to early effort to obtain action by the Legislatures of their respective States, and we also urge Commissioners of the States which have adopted the Mobile bill to see that the New York amendments be introduced and adopted at as early a date as possible so that we may have in fact one uniform law governing fraternal societies in all the States.

During the past winter members of various organizations have endeavored to obtain the repeal of the Mobile bill in a number of

States. These attempts have in every case been defeated, largely as the result of the work of fraternal leaders and of the members of the National Fraternal Congress and the Associated Fraternities of America and Federated Fraternities of America, generally speaking.

Respectfully submitted,
T. M. HENRY, Chairman.
JAMES R. YOUNG,
HERMAN L. EKERN,
BURTON MANSFIELD.

Upon motion of Mr. Henry the report was unanimously adopted.

The Committee on Fraternal Insurance submits the following report:

Whereas, requests have come to the convention from various fraternal societies and associations and from life insurance companies for recommendations for legislation relating to the writing of group insurance by life insurance companies; and,

Whereas, it is believed that an expression of opinion by this convention on the subject at this time would be helpful in securing harmonious and uniform action by all concerned:

Resolved, That this convention disapproves and will condemn any attempt to apply group insurance to fraternal societies, lodges, or their members as such, and that the members of this convention be urged to enforce this recommendation to the extent of their powers.

Resolved, further, That the Committee on Laws and Legislation be instructed to investigate the subject of group insurance in all relations and be directed to co-operate with committees representing companies, associations and societies issuing the different forms of life insurance and report thereon to this convention in December, 1913, and if it be thought advisable, to report recommendations for uniform laws for the regulation of such business.

Respectfully submitted,
T. M. HENRY, Chairman.
JAMES R. YOUNG,
HERMAN L. EKERN,
BURTON MANSFIELD.

Upon motion of Mr. Henry the report was unanimously adopted.

The Committee on Fraternal Insurance submits the following report:

Whereas, there is a disposition on the part of some companies and associations to raid the membership of fraternal societies; and,

Whereas, the great mass of fraternal societies have in good faith co-operated with the departments and with this convention in attempting to place themselves upon an adequate and permanent basis and are entitled to all the moral support that can be given in this work; and,

Whereas, a uniform law has heretofore been recommended by this convention to prohibit twisting, misrepresentation and rebating, and such law has been enacted in a considerable number of States; and,

Whereas, such laws should specifically include and apply to fraternal societies when not so included:

Resolved, That this convention commend the enactment of such legislation and urges its enactment in the several States as applied to all forms of insurance.

Respectfully submitted,
T. M. HENRY, Chairman.
JAMES R. YOUNG,
HERMAN L. EKERN,
BURTON MANSFIELD.

Mr. T. M. Henry, Insurance Commissioner of Mississippi: The three organized societies have co-operated on this bill and I would like to amend this by adding: "The confederated fraternities." If there is no objection I would add that.

Member: I move that the amendment suggested by Mr. Henry be adopted.

The President: With the general consent of the convention the amendment will be adopted.

The report of the committee as thus amended was then unanimously adopted.

The Secretary: I have the following letter: (Reads.)

Chatfield, Minn., July 7, 1913.

Mr. J. A. O. Preus, St. Paul, Minn.

Dear Mr. Preus: Through you we wish to extend a special invitation to the Insurance Commissioners of the different States of the Union to attend the annual convention of the National Association of Mutual Insurance Companies, which will be held at the Severin Hotel, Indianapolis, Indiana, on September 16th to 19th inclusive.

We wish to especially urge the members of the committee on uniform mutual insurance laws to be present, and also urge that said committee defer any further action in regard to such uniform laws until after our Indianapolis meeting. After this meeting we will be able to take these matters up with your committee with more intelligence and more systematically. At Indianapolis we will strongly organize into an association of fact as well as name, and expect to establish permanent headquarters with a permanent secretary and attorney in charge.

We can promise you a very pleasant as well as profitable time. It will give you an opportunity of meeting and exchanging views and ideas with some of the brightest mutual men of the United States, and they will be there from every corner of the nation.

Trusting that we may have the pleasure of meeting you, and with best wishes for the success of your meeting, we remain,

Very truly yours,
NATIONAL ASSOCIATION MUTUAL INS. COS.
O. M. THURBER, Secretary.

September 17th will be our big red letter day.

Remember These Dates.

September 16th, 17th, 18th and 19th are the dates for the 1913 convention of the National Association Mutual Insurance Companies. Indianapolis, Indiana, is the place and the Severin Hotel headquarters. The Indianapolis Chamber of Commerce and the Indiana State Mutual Union are assisting in making this the biggest and best convention in the history of our association. Every mutual company in the United States should be represented,

whether members of the association or not. You will be sorry if you miss it. If going send your name to the secretary. **Remember the place.**

REPORT OF MEMORIAL COMMITTEE.

Mr. Willard Done, Insurance Commissioner of Utah: I have just handed the Secretary the resolutions upon the death of the late Commissioner Clayton, and I move their adoption.

Whereas, our friend and former associate, Hon. William L. Clayton, ex-Insurance Commissioner of Colorado, has passed away, and

Whereas, his pleasing personality, his genial disposition, his chivalry and unfailing courtesy endeared him to his associates in this convention, and

Whereas, our brief association with him as a member of the National Convention of Insurance Commissioiners has been a source of profit and pleasure to us all; now, therefore, be it

Resolved, That in the death of Senator Clayton his former associates, both personally and in a convention capacity, have sustained a severe loss because of his helpful counsel, his calm judgment and his efficient labors; and be it further

Resolved, That we extend our heartfelt sympathy to his relatives and friends in the bereavement they have suffered in his departure; and be it further

Resolved, That we invoke upon his two little daughters the comfort and consolation which Almighty God alone can give, and that a suitably prepared copy of this resolution be furnished to his daughters and another to the Insurance Department of Colorado, and a record hereof be spread upon the minutes of this convention.

WILLARD DONE,
JAMES R. YOUNG,
ROBERT J. MERRILL.

The resolutions as submitted by the committee were unanimously adopted.

LETTERS FROM NATIONAL SURETY COMPANY REFERRED TO COMMITTEE ON FIDELITY AND SURETY COMPANIES.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut: Mr. President, I presume all the Commissioners had a letter from the President of the National Surety Company with regard to payment of premiums within a certain time. And as I promised to present it, I do so and ask that it be referred to the Committee on Rates to take such action as they think necessary—that is, to be referred to the Committeee on Fidelity and Surety Companies to report in case that they think necessary.

New York, June 10, 1913.

Hon. Burton Mansfield, Insurance Commissioner, Hartford, Conn.

Dear Sir: The Insurance Commissioner of the State of Washington has just announced that premiums on all insurance written in the State of Washington must be collected within sixty days, and if not, he will consider it a rebate. In cases where the premiums are

not paid, notes must be given at the end of that time or charges will be preferred against the agent.

I understand the Insurance Commissioners of the States of Michigan and West Virginia have done the same thing.

There is no doubt in my mind that there is great discrimination practiced by insurance agents in many parts of the United States. One patron gets sixty, ninety or one hundred and twenty days, and another concern is required to pay cash. This is the worst kind of discrimination. Some agents adopt this method of making rebates by telling parties they need not pay for their insurance for several months to come, which gives them an advantage over the agents of other companies.

This company wishes to go on record as recommending to the Insurance Commissioners of the United States that it would be beneficial to the policyholders and insurance companies if all Insurance Commissioners having anti-discrimination statutes were to announce such a ruling.

This company would be very grateful for any action that might be taken, pointing out, however, that surety companies sometimes become surety on bonds where there is no provision in law or otherwise for the cancellation of such bonds, and it would be well to point out to agents in such cases that the bond must be paid for upon delivery by the agent, unless the agent himself guarantees the payment of the premium thereon and pays it within sixty days.

Trusting you will feel that this recommendation is made in the interests of all policyholders and all insurance companies, I am,

Very truly yours,
WM. B. JOYCE, President.

As requested by Mr. Mansfield the letter was referred to the Committee on Fidelity and Surety Companies.

INVITATIONS IN RE HOLDING NEXT CONVENTION.

The Secretary reads invitation from Buffalo, N. Y.

Upon motion the communication was referred to the Executive Committee.

The Secretary: I have a number of others, which I mentioned the other day, which, of course, go to the same committee.

Communications referred to Executive Committee.

REPORT OF THE EXECUTIVE COMMITTEE.

To the National Convention of Insurance Commissioners:

Your committee has held numerous meetings since the last annual meeting of this convention. Nearly all of the matters passed upon at these meetings have already been reported to and acted upon by this convention at its intermediate meetings.

The doings of this committee at its meeting in Richmond in June last have still to be reported, however. A copy of those minutes are hereby made a part of this report, attached hereto and submitted for your consideration.

A reading of those minutes will disclose that the committee disapproved of the extension of a certain contract existing between the Order of Foresters and the Union Trust Company. Such disapproval was given on June 21st, 1913. Since that date, however,

and during the sessions of this convention, your committee has taken the matter under further consideration and as a result desires to submit the following report of a resolution which it adopted in regard to that particular subject. Said report is as follows:

Whereas, at its meeting in Richmond on June 21st, 1913, this committee expressed its disapproval of the renewal of a certain contract between the Foresters and the Union Trust Company, knowledge of which contract and renewal was brought to its attention by reason of an examination then being made of the Foresters by various insurance departments; and,

Whereas, since said meeting further information in regard to said contract and its proposed extension has been presented to this committee; now, therefore,

Resolved, That it is the sense of this committee that it is not within the province of the convention of Insurance Commissioners to pass upon the management of the financial affairs of the Order of Foresters, when such management is in good faith and according to law, and that the renewal of the contract referred to should be left, within the limits named, to the best judgment of the Order.

Your committee, therefore, recommends the passage of the following resolutions:

Resolved, That the action of the Executive Committee as contained in the minutes of its meeting in Richmond in June last be, and the same are hereby, ratified and confirmed, except so far as said minutes show a disapproval of the extension of a certain contract existing between the Order of Foresters and the Union Trust Company.

As to that particular matter your committee presents the following resolution for adoption:

Resolved, That it is not within the province of the convention of Insurance Commissioners to pass upon the management of the financial affairs of the Order of Foresters, when such management is in good faith and according to law, and that the extension or renewal of the contract between the Order of Foresters and the Union Trust Company should be left subject to said limitations as to good faith and compliance with the law to the best judgment of the Order.

All of which is respectfully submitted,

HERMAN L. EKERN,
W. T. EMMET,
JOSEPH BUTTON,
BURTON MANSFIELD,
J. A. O. PREUS,
JAMES R. YOUNG,
WILLARD DONE,
F. H. McMASTER.
FRANK H. HARDISON.

Burlington, Vermont, August 1st, 1913.

"BIRD, BEAST AND FOWL" FRATERNAL ORDERS.

Mr. E. H. Moore, Insurance Commissioner of Ohio: I think as a matter of legislation there is a matter that we should take up. I suppose every State in the Union has had an experience similar to mine. In Ohio every bird, beast and fowl of the animal kingdom has been adopted for the name of some so-called fraternal order;

and they are operating within our State. We temporarily checked the onslaught by commencing various proceedings, but as to how effectual they will be I have very grave doubt.

Under the fraternal law, I need not say to this body, only fraternal benefit societies so defined by that act can be licensed. None of these orders, of course, can be licensed under these acts. They do not come within its terms. We have no law—and I think that is practically true of most of the States of the Union—that will keep them out or that will bring them in and put them under proper supervision.

If they are operating honestly and not being run simply as a means of a species of petty graft no one has a word to say concerning them. But nine-tenths of them are only a means of graft for organizers and supreme officers. And I think it is imperative that laws be passed in the various States of the Union to restrict that, and I ask that attention be called to it, and that it be referred to the Fraternal Committee to draft a universal bill to be reported to the adjourned meeting of this convention in December, and that it be urged for passage at the next meeting of the Legislatures.

Member: I second the motion.

Mr. James R. Young, Insurance Commissioner of North Carolina: We have in our State a law which takes care of these societies, no matter how much they pay in benefits. It is practically under the discretion of the Commissioner.

The matter was referred to the Fraternal Committee.

ADJOURNMENT.

The convention then, at about 1:30 p. m., took a recess until 2:30 p. m. of the same day, Friday, August 1, 1913.

FOURTH DAY

AFTERNOON SESSION—FRIDAY, AUGUST 1, 1913, 2:30 P. M.

The convention was called to order at 2:30 p. m. by the President.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut: Mr. President, I would just like to make a report of the Committee for Ruling on Health and Accident Settlements, of which Mr. Emmet is Chairman. He is not here and I am the next member.

The committee has the matters under consideration and it is very essential that the committee be continued. They could not have a very definite report at this time, as the work is ahead of them.

I would move that the committee be continued.

Motion adopted unanimously.

CREATION AND APPOINTMENT OF CLEARING COMMITTEE FOR RULINGS ON STANDARD PROVISIONS IN LIFE POLICIES.

Mr. H. B. Orr, Deputy Insurance Commissioner of Michigan: Mr. President, we had a Clearing Committee for Ruling on Health and Accident Policies, which resulted in a very good piece of work; and along that line I would suggest that the Chair also appoint a Clearing Committee for Rulings on Standard Provisions in Life Policies.

There seems to be some need for that in view of the fact that a number of the departments have made rulings on this law that causes the printing of different forms of policies. If the cases could be adjusted it would be a good thing to do.

A motion to this effect was made and carried.

ADJOURNED MEETING IN DECEMBER: TIME AND PLACE TO BE DECIDED BY EXECUTIVE COMMITTEE.

Mr. F. H. McMaster, Insurance Commissioner of South Carolina: Mr. Chairman, I move that when this convention adjourns it adjourn to meet in December at such time and place as shall be designated by the Executive Committee.

The motion was adopted unanimously.

RESOLUTIONS OF THANKS.

Mr. Burton Mansfield, Insurance Commissioner of Connecticut: Mr. President and gentlemen, ever since Ethan Allen and the Green Mountain boys went forth to conquer, and did conquer, Ticonderoga the good people of Vermont have gone forth conquering and to conquer.

I think it is safe to say that the last conquest that they have made is the National Association of Insurance Commissioners.

A year ago when we went to Spokane we were certainly treated very royally. We enjoyed ourselves from beginning to end. We saw the wonders and grandeur of the Yellowstone and the Canadian Rockies. But I am sure we found nowhere the quiet beauty of mountain and lake which the State of Vermont affords.

It is that quiet beauty which has attracted us here. It is the warmheartedness and the generosity of the people of this State which has enabled us to appreciate all that with heart-felt generosity.

The good old Governor of Connecticut used to tell me that he always went to Vermont when he wanted to thoroughly enjoy himself. And for many years he summered on the shores of Lake Dunmore, year after year, returning with a more emphatic appreciation of the good time that he had had.

And, so, I am sure, my friends, that we today are in this same frame of mind; and we are ready and willing, yea, anxious, to

express our thanks to the good people of the State, to her Governor and her Lieutenant-Governor, to the Mayor of Burlington and the citizens of this city, to the ladies and gentlemen who have continued to entertain us from the time we entered the city of Burlington and who gave us her freedom.

I cannot enumerate all of the people who have contributed to this, but there is one little incident that I cannot overlook, and that is, why even Mr. Deavitt and his co-laborer in the vineyard say that the town of Williston was started 150 years ago in order that we at this time might celebrate its anniversary in connection with our own convention.

And we who went out there yesterday knew what was going on, although some of the inhabitants there didn't seem to know themselves, for we asked some of them and they said in was the 4th of July. (Laughter.)

Mr. Deavitt and Mr. Bailey have certainly contributed very much to our enjoyment. To them and to all the others, Mr. President and gentlemen, I desire to extend, on behalf of this convention, our heartfelt thanks. And I move, gentlemen, that the thanks of this convention be extended to the Governor, the Lieutenant-Governor, the Mayor, the ladies and gentlemen, to Mrs. Deavitt and Mrs. Bailey, and to Mr. Deavitt and Mr. Bailey for all that you have done for us in making our stay here so pleasant.

And I want to say incidentally that I have heard it remarked over and over again that this is one of the best, if not the best, conventions that we have ever had.

And I also want to say for my own personal gratification—I do not know whether you agree with me or not—that there has not been any contribution from any insurance company towards making this convention the success which has attended it. (Applause.)

The Resolution of Thanks was passed unanimously by a rising vote.

Mr. E. H. Deavitt, State Treasurer, *ex-officio* Insurance Commissioner: Mr. President and gentlemen of the convention, accepting the thanks of the convention, I want to say in behalf of Mr. Bailey and myself that if it had not been for the presence of you gentlemen here this convention would not have been the success which it has been. And I want to thank Mr. Appleton particularly for coming up here and helping us to make the arrangements for your entertainment. (Applause.)

Mr. T. M. Henry, Insurance Commissioner of Mississipppi: Mr. President and gentlemen, especially the gentlemen of the Press, to me has been assigned the pleasant duty of extending our best thanks to the "Quill Drivers," the gentlemen who often discover greatness where it only exists in their imagination (laughter), the men who often make heroes out of common people and common people out of heroes. (Laughter.)

Now, the reason that I know that those facts are true—you might not think it by looking at me, but I was once one of them. (Laughter.)

Member: Common man or hero? (Laughter.)

Mr. T. M. Henry: Both. I was a hero, because I found that I possessed neither ability, inclination nor desire to continue the business; so I stepped down and made place for more honorable gentlemen. (Laughter.)

Now, gentlemen, you certainly have handled this convention in the very best manner. You have discovered greatness where it exists and you have refused to say that greatness exists where it was totally lacking. For that reason I think it can be stated that you have given the present speaker more lines in your papers than you have given any of these other gentlemen. (Laughter.) I deserve more. (Laughter. Of course, you didn't give many lines to these other people. They didn't say much. (Laughter.) And they got up here with refrigerated documents. (Laughter.) I had a real live speech. There was something in it. (Laughter.) Whenever you see a man get up and pull out a tin box and go to unrolling a lot of literature you can say it is no good, we will take it to our office, thoroughly edit it, and decide there is nothing in it to burn. (Laughter.) Now, gentlemen, I want to say this, in my case you didn't have that opportunity; you had to take it down and edit it, and you gave me a few lines. (Laughter.)

If I were to tell you what I know of the Press I would consume too much of your time. (Laughter.) But it is the greatest instrument today that civilization possesses. Here we are, about 33 or 35 Commissioners, meeting within the confines of this beautiful and splendid hotel; we deliberate most deliberately on questions that concern not only ourselves, but the people at large. How many of them would ever know anything about it, how many of them would know the great influences that are germinated within this hall if it were not for that splendid dispenser of civilization and light, the newspaper?

I want to thank you in my behalf and on the behalf of all these gentlemen for your splendid reports. I want to say to you that I trust you will never arrive at the period that I arrived at soon after the newspaper business. I found that I possessed neither ability nor inclination to pursue the line. So I thought I would go into a profession that did not require so much tact, but where more humbuggery was useful. (Laughter.) So I went into politics. (Laughter.)

There was a great man that lived up in this section named Abraham Lincoln. He, on one occasion, said: "You can fool some of the people all of the time, and all of the people some of the time, but you can't fool all of the people all of the time." Now, I have never tried to do it down in Mississippi. When I fool a majority I just quit, for I don't care anything about the minority. (Laughter and applause.)

The President: The Chair is uncertain whether there is a motion included there or not, but we will take it that there was, and we will ask the convention to give a vote of thanks to the Press.

The motion was adopted unanimously.

ELECTION OF OFFICERS.

The election of officers of the association was then entered into and resulted as follows:

PRESIDENT: HON. JAMES R. YOUNG, of North Carolina.

Mr. Young was nominated by Mr. Samuel V. Perrott, of Indiana, and unanimously elected.

Being called upon by members of the convention, Mr. Young responded as follows:

Mr. James R. Young, of North Carolina, President-elect: I thank you most sincerely for the honor that you have conferred upon me. I deem it a great honor, because it is an honor to my State and her people. And I want to thank you.

I want to congratulate you, Mr. President, upon the success of the work of this convention during the past year under your administration; and also the members of this convention. I do not deem it necessary to say to those of you who know me that I will bring to the discharge of the duties whatever ability, capacity and experience that I have; and that during this year, the coming year, I will bend all the powers and energies that I have to make a success of our work and to accomplish something for the improvement and uplifting of this great work that we are called upon to supervise.

I do not care to take up your time in expressing my thanks further. I want to ask of each one of you that which I believe, from my knowledge and association with you, that you will give me your hearty support and co-operation. And I believe that on every occasion you will lend this to me; and I ask it from you. I do not believe if left to myself I could accomplish much; but I believe that with your aid we can accomplish great things during the coming year. I thank you. (Applause.)

FIRST VICE-PRESIDENT: HON. WILLARD DONE, of Utah.

Mr. Done was nominated by Mr. J. A. O. Preus, of Minnesota, and unanimously elected.

Being called upon by members of the convention Mr. Done responded as follows:

Mr. Done: Mr. President and gentlemen of the convention, I can not possibly express my high appreciation, both on my own behalf and on behalf of my State, for the distinguished honor you confer upon me.

I shall endeavor, as far as the duties of the office go, to discharge them with ability and care and for the best interests of this convention and those who are connected with it. Of course, I understand

with the splendid President, under whom I shall serve, there will be little practical use for a Vice-President.

At the same time as far as interest goes I shall endeavor to make a model Vice-President.

Mrs. Done once called me a model husband. I felt very cocky about that for a while and walked on air for a day or two. Finally a friend said: "Done, have you looked up the meaning of the word 'model?'" I had not, but I did. I looked in the dictionary and found the definition to be: "A small and useless imitation of the genuine article." (Laughter.) I didn't walk on air after that, but I found that she was right about it. (Laughter.) So, I shall be a small and useless article under the splendid administration and with the splendid work done by the President. But as far as I am able I shall be very glad, indeed, to discharge the duties of this office which you have conferred upon me. (Applause.)

SECOND VICE-PRESIDENT: HON JOHN S. DARST, of West Virginia.

Mr. Darst was nominated by Hon. Joseph Button, of Virginia, and unanimously elected.

Being called upon by members of the convention, Mr. Darst responded as follows:

Mr. Darst: Mr. President and gentlemen, I am deeply grateful for this unsolicited honor on my part. And I want to say to you that I do not flatter myself that this honor was conferred upon me for any ability that I might have or any service that I have rendered this convention.

This has been to me a great school of all the past. And I have gathered from the Insurance Commissioners facts here as I have heard them expressed, and also from the addresses of the representatives of the different insurance companies gathered here, and I have taken them to my State and I have endeavored to put them into practical experience in that State.

And I am glad to be able to say to you that West Virginia has passed almost all of the laws recommended by the convention in the past four or five years. And our people believe that they have received much good from the laws in effect there.

And I shall be glad to take home with me the fact that the little State of West Virginia has been so honored.

Gentlemen, I do not know what the duties of this office may be (laughter), but I assure you that I will give my best ability to it. I hope that I shall be able to gather information and that I may be able to give a little information to the members that follow me and come into this convention, and that I may be of some service before my term expires. (Applause.)

SECRETARY AND TREASURER: HON. F. H. McMASTER, of South Carolina.

Mr. McMaster was nominated by Mr. Henry D. Appleton, of New York, and unanimously elected.

Mr. J. A. O. Preus, of Minnesota: Mr. President, I think there was a grave mistake made here this afternoon. I think in these conventions there can be no harm in a little bit of enjoyment if we can have it. I think this convention has been deprived of the greatest pleasure it can have; and that is to have a response from Mr. McMaster.

Mr. F. H. McMaster, of South Carolina: Mr. President, that is very kind of my friend from Minnesota. But I remember on a former occasion that a brother Commissioner was put upon the floor as a wit, and I remember to this day the perspiration that he shed in an endeavor to diffuse his wit. And I am sure that if he didn't succeed it would be a futile attempt upon my part to do so.

EXECUTIVE COMMITTEE.

Mr. E. H. Moore, Insurance Commissioner of Ohio: I would suggest that the Executive Committee to be selected by this convention shall consist of the present members of that committee, together with Mr. Hardison, of Massachusetts, and Mr. John T. Winship, of Michigan. And if there are no other nominations made I would move that the nominations be closed and that the Secretary be asked to cast the vote of this convention for these gentlemen. That is, provided no other nominations are made.

The motion was adopted unanimously.

Mr. E. H. Moore, of Ohio: I move that the Executive Committee be permitted to select its own officers.

Mr. T. M. Henry, of Mississippi: In view of the fact that that has not been the custom heretofore, I would like to ask the gentleman from Ohio just what is the idea in changing the mode of procedure It occurs to me that this convention would like to select the Chairman of that Committee; and unless he can give some better reason than he has done I would have to oppose the motion.

Mr. E. H. Moore, of Ohio: If there is any opposition to it I will withdraw the motion. It was offered because of the fact that it is generally the custom for a committee to select its own officers.

Mr. Burton Mansfield, of Connecticut, was nominated as Chairman of the Executive Committee by Mr. Merrill of New Hampshire.

Also Mr. H. L. Ekern, of Wisconsin, was nominated by Mr. Moore.

Mr. Burton Mansfield, of Connecticut: Mr. Chairman, I desire to second the nomination of Mr. Ekern for many reasons. Mr. Ekern is the ranking member upon the committee, if that means anything, and I think it does. He is a man of long experience, a man who has studied many of the important questions that have come before this convention and that may come before that committee. But above all, Mr. Ekern has manifested to me during the course of this convention certain personal traits of character which have made me feel that

above all else, above being Insurance Commissioner, above being capable of performing the duties of any office he may be asked to fill, he is a man. Therefore, I am going to second his nomination.

Mr. Mansfield having withdrawn his name, Mr. Ekern was unanimously elected Chairman of the Executive Committee.

The Secretary cast the unanimous ballot of the convention for the following named gentlemen as the Executive Committee:

Herman L. Ekern, Wisconsin, Chairman.
Burton Mansfield, Connecticut.
Joseph Button, Virginia.
W. T. Emmet, New York.
J. A. O. Preus, Minnesota.
Frank H. Hardison, Massachusetts.
John T. Winship, Michigan.

Mr. H. L. Ekern, of Wisconsin: Mr. President, I want to express to the convention my appreciation of the honor of being elected Chairman of the Executive Committee. And I want to express my appreciation of the seconding speech in my behalf made by Mr. Mansfield.

Mr. John T. Winship, of Michigan: Mr. President, I would fail to do my duty as a new member of this convention if I failed to express my appreciation of my election as a member of the Executive Committee.

I have come to this convention as a student; and this convention has been profitable to me and will be of service to me during the next twelve months.

I have an idea that my election was not because of any merit of mine, but a tribute to the State of Michigan, which has brought to this convention in the past men of such high character that I must say that I hesitated somewhat to accept the nomination of the Governor of my State to this high office.

Out in Michigan I am continually hearing something of the splendid administration of Mr. Barry; and I am glad to succeed such a good man as Mr. Palmer has been. (Applause.)

COMMITTEE ON EXAMINATIONS.

Mr. Burton Mansfield, of Connecticut: Mr. President, I have been asked to say that the new President should remain Chairman of the Committee on Examinations.

Mr. James R. Young, of North Carolina, the "new President:" No! No!

Mr. Burton Mansfield, of Connecticut: And, therefore, I move you, that this convention elect Mr. Young Chairman of the Committee on Examinations. I move that we elect him right now.

Mr. Willard Done, of Utah: I second that motion.

Mr. James R. Young, of North Carolina: Mr. President, I thought when I took charge of the duties of President I would be relieved of that. Mr. Mansfield or Col. Button or some one else could do it very much better than I could; and I would be glad to be relieved of the honor.

The motion being put, Mr. Young was unanimously elected Chairman of the Committee on Examinations.

The President: The Chair will ask Mr. Mansfield and Commissioner Shehan to escort the new President to the Chair.

Gentlemen of the convention, President Young. (Applause.)

The President (Hon. James R. Young, of North Carolina): Gentlemen of the convention, if there is any further work for the afternoon we will be glad to consider it.

I will ask the Secretary, as a co-worker with him, to have a word to say as to the retiring President.

Mr. F. H. McMaster, of South Carolina: Mr. President and gentlemen, I am utterly unable to rise to the occasion, I assure you.

I wish to repeat somewhat in part the sentiment that I uttered a year ago, that when South Carolina speaks for Massachusetts, or in behalf of Massachusetts, she feels that she speaks for herself almost.

Our retiring President is a full man in every sense of the word; and I am sure that we have all felt honored in our selection of him as our President and that we will look back on the administration of Mr. Hardison as an evidence of the high standard to which our association has reached. (Applause.)

Mr. Frank H. Hardison, of Massachusetts, the retiring President: Gentlemen, having been in evidence so much for the past four days I think I had better say nothing else, but I simply voice my appreciation of your words. (Applause.)

Mr. E. H. Moore, of Ohio: We have been complimenting everybody individually, now I think we ought to congratulate ourselves collectively on the general convenience of things, that we have placed the gentleman from North Carolina (the President, Mr. Young), so close to the gentleman from South Carolina (The Secretary and Treasurer, Mr. McMaster), that when a question comes up they are handy and will not have to wait a long time between drinks. (Laughter.)

The President: We appreciate that very much, and we will ask the gentleman from Ohio to join us. (Laughter.)

Mr. T. M. Henry, of Mississippi: Doesn't this convention, as a whole, select the place of meeting for the annual convention?

The President: It does not, under the constitution. That is a duty of the Executive Committee. It was changed at the convention before the last.

Mr. A. E. Hebert, of Louisiana: I understand it is the custom of the Executive Committee to settle on the location as to the annual meeting. I wish to deviate a little from that rule and state to the convention at large, not with an idea of suggesting to the Executive

Committee, I wish to state on behalf of the people of Louisiana and the State of Louisiana that the people and State would feel highly honored if the convention would select the Winter Capital of America as its next meeting place.

The convention then went into executive session.

FINAL ADJOURNMENT.

The convention adjourned to meet again at an adjourned meeting in December, 1913, at a time and place to be designated by the Executive Committee.

APPENDIX

QUALIFICATIONS OF AGENTS.

By Hon. Robert J. Merrill, Insurance Commissioner of New Hampshire.

The subject, "Qualifications of Agents," in its broadest sense, must be admitted to be beyond what I apprehend are the proper limits of an insurance commissioner's interest. Many qualities must be possessed by the ideal insurance agent, the lack of which in a given case does not justify the licensing authority in denying the license of the State. Patience, industry, enthusiasm, education, broad vision, are essential factors in the character of the true insurance agent, which cannot, alas, be always plainly discerned in many agents who are properly commissioned and licensed. To require the average insurance commissioner to consider these qualifications in the granting of agents' licenses would put too heavy a burden upon him, making it necessary that he be not only an expert in the management of an insurance business, but also a psychologist of rare attainment. Whatever else we may be, I fear that few of us are that. It, therefore, becomes necessary to limit the treatment of the subject to include only such qualifications as should be considered by the insurance commissioner in passing upon the application for a license.

The statutes of most, if not all, the States provide some degree of supervision by the insurance commissioner over the business of licensing the agents of insurance companies. The language of the New Hampshire statute, perhaps typical of all, provides that he shall license suitable persons as such agents. This language is comprehensive enough to place the whole matter of selecting and applying the tests to determine the suitability of the applicant wholly upon the commissioner, whose determination upon such tests is conclusive, if in good faith. It must be said, however, on the other hand, that the general nature of this statutory language, by reason of its very comprehensiveness, has often in practice resulted in an entire shifting of responsibility from the insurance department to the company applying, the application being regarded not only as prima facie evidence, but also as a guaranty that the persons applied for are "suitable." Thus the entire function of the insurance department in this particular becomes clerical and financial, providing a convenient place for the registering of the agents of the insurance companies in the State, and benefiting the State's treasury by the amount of fees collected for the certificates of authority issued. These are important and necessary parts of the work of the insurance department, but they are not supervision.

The discussion of the subject might proceed, taking it for granted that no question could be raised as to the propriety of the State's insistence upon some degree of qualifications on the part of agents receiving its license, such qualifications to be determined upon tests provided by law. Possibly we who are in places of authority within our respective States too often fail to appreciate the point of view

of those in active management of the companies under our supervision. Very likely we are rather too prone to take somewhat too much credit to ourselves and our wise and careful oversight and vigilance in the public interest; not always fully recognizing the fact that unless the business were, for the most part, conducted upon a high plane and with a fair appreciation of their responsibility on the part of those in control of the companies, the attempts of the insurance departments at supervision would be of little avail.

It is sometimes charged that the growing activities of the departments and the constantly increasing minuteness and care used by them in scrutinizing acts and methods encroach upon the proper exercise of their legitimate functions by the companies, and tend to usurp many rights necessary to be retained in order that they may fully and rightly carry on their work with justice to themselves and their stockholders, as well as to their policyholders and the public. And so it may be, as it is, argued that the setting up of standards by the State to measure the fitness of those whom the companies desire to represent them as agents, is an interference with the conduct of a business of a private nature, in its internal, managerial, affairs, and, therefore, is unjustifiable.

It is also stated that the companies, on the whole, recognize that they must be judged, and stand or fall, on the actions of their representatives, and that their desire to be represented by agents of character and ability, will, as a matter of self-interest and of competition, eliminate the unworthy agent, thus rendering the endeavors of the State in this matter unnecessary.

Again, the officers of the insurance company, realizing their responsibility to the public, in direct contact with the agency force from day to day, claim to have a much better opportunity to judge of the fitness of their agents than has the insurance commissioner, who, in passing upon the agent's qualifications, must, of necessity, act on slight information, and more or less perfunctorily, causing his determination to be ineffective and of slight value.

Each of the suggestions referred to has in it a certain amount of force, but the conclusions arrived at are not based upon a right conception of the respective functions of the insurance department and the company and their true relation to each other and to the public.

It is a poor idea of an insurance commissioner's duty which restricts his activities wholly within the limits of the statutes, disregarding his opportunity and his duty to be an active and effective factor in the right conduct of the business within his jurisdiction. It is just as poor an idea of his duty, and most unsatisfactory in its results, to limit his relations with the companies under his supervision to constant espionage in order to make sure that they violate no law. Generally speaking, it is only by the co-operation of the commissioner, the companies, and the agents that results may be obtained. With such co-operation as a basis, many of the difficulties of us all will disappear, and the objections to the interest and participation by the State in passing upon the qualifications of agents will be but theoretical. Without it, all the arguments suggested would be legitimate and unanswerable.

The passing by the insurance department upon the fitness of an insurance agent is not only justifiable, but it is essential so long as the State retains the principle of supervision of insurance, and so long as the business continues to be transacted by agents. I believe that both these conditions will continue indefinitely. It is suggested from sources too respectable to be ignored that the insurance agent, like all middle men, may expect ultimate elimination, on account

of the large addition he makes in the cost of the delivered product to the consumer. These are days when costs are being analyzed, with the hope of discarding unnecessary elements of expense. In this analysis of the cost of insurance, investigators do not proceed far before noting the large item of cost of procuring and retaining the business, represented by the compensation of the agent. If the agency system is to be retained, this item must continue to be large in proportion to the entire cost. Unless the system can justify the inclusion of so large an item, it may not hope to be retained indefinitely. The only way in which it may so justify its existence is to render value received for its compensation. In order to render such value, the agent must possess such qualifications as will enable him to render good service to the community, which supports him. It is not wholly in his capacity as a representative of the company that an insurance agent should be considered. His is a dual responsibility—to the company and to the public. To him the public daily entrusts stupendous interests. They deal with him, not with the company. The State, within its authority to promote the welfare of its citizens, acting through its insurance department, exercising a supervision over a business charge in a peculiar sense with the public interest, is not only well within its rights, but also performing an important duty in insisting that such service be rendered, and, accordingly, that the business be conducted by properly qualified persons entitled to a fair compensation therefor.

There is always more or less difficulty in applying a general principle of any kind to specific acts or situations. Having decided that the State should insist upon the possession by licensed agents of such qualifications as will entitle them to compensation in return for service, how shall this general principle be applied to individual applicants? Shall each case be separately considered, or shall hard and fast rules be laid down and a decision reached in accordance with the unvarying application of such rules? Shall the insurance department attempt to define strictly the conditions under which licenses will be granted, or will it attempt to pass upon the individual, after investigation and consideration of his peculiar claims and situation? How will the matter be treated so as to escape the confusion resulting from lack of underlying rules on one hand, and the deadening result of applying rigid and uniform tests on the other? These are the practical questions which confront us, and our success in answering them will correspond with the success of the operation of the law in procuring results.

In making these practical applications of the general principle, two things ought not to be lost sight of, as previously suggested: viz., that the public is paying the compensation of the agent, and that there is no reason for such payment except for service rendered. Therefore, it may safely be stated as the general rule to be observed that no agent should be licensed who does not in good faith expect to serve the public as an agent. The application of this rule would eliminate whole groups of parasites, licensed as agents for no reason except to receive a rebate of premiums on property owned or controlled by themselves or to secure certain lines by reason of interest or association. Sufficient investigation should be made to determine whether the applicant falls within such class.

The idea of service given for compensation carries with it a reciprocal duty on the part of the public. If an agent has the qualifications to meet the test of service, then it is none the less the duty of the public to accept the service and pay for it. If it patronizes some other so-called agent, who renders no service, but receives the same compensation as does the genuine agent, then the compensa-

tion thus paid is wasted, and becomes an element of the great waste of the country. Therefore, no agent should be licensed who does not in good faith intend to make insurance a real part of his business. The importance of his insurance business as a factor in his whole business may well vary in accordance with circumstances without doing violence to the general rule laid down. The country merchant at the cross roads writing the risks of his scattered community, and his own stock of goods, might well measure up to the standard, and be entitled to a license, while the city merchant or department store would not be entitled to any consideration. The city lawyer, securing a license in order to give him an additional income from the commissions on policies placed on trust estates in his charge, or on occasional large lines of his clients, but who would consider his listing as an insurance agent as beneath his professional dignity, has no right to license or compensation, while his country brother, doing all the office work of the community may meet all the requirements of such a test.

The insurance agent in any line has an opportunity to serve in such a way as to render him a most effective factor in the great awakening along the lines of the conservation of life, limb, health, and property. Whether he realizes it or not, such is the real work that he is doing, while incidentally he is part of the machinery devised to distribute the loss fairly and equitably upon the community. For his part in this, well done, his compensation is none too large. But even an approach to the attainment of such a high standard implies the possession of qualifications based upon a thorough knowledge of the principles of the business and a real recognition of his great responsibility and opportunity, shall the State then insist upon an educational qualification, and the passing of an examination to satisfy such a standard? This has been suggested in at least one State and the argument in its favor seems plausible. But the practical difficulties in providing the machinery for such examination, in selecting the course of study upon which they should be based, and in securing supervising officials capable of passing upon them, must not be overlooked. It may be that such tests will eventually be generally applied, but until such time, may we not consider whether the general limitation of the privilege to such agents as are in good faith serving the public as such, and the consequent raising of the dignity of the calling will not bring precisely the same result? The education and development which results from active contact with the business itself, necessitated by the competition of service with his fellows, will be of far greater value than the answering of certain prescribed questions in an examination paper.

There are other qualifications, such as honesty and the other fundamental virtues needed in every business, upon which I conceive there is no need to dwell in a paper of this kind. These are so essential that the lack of them when discovered, of course, permits but one method of treatment.

It will readily be perceived that no startling method of procedure is advocated in my treatment of this subject. But it is believed that the insistence upon the one requirement of bona fide service will go far toward putting the agency system upon its proper basis, and that in doing so the active co-operation of the companies, the commissioners and the agents must be invoked and secured.

HEALTH AND ACCIDENT AGENTS. (INDUSTRIAL)

By Hon. Henry D. Appleton, Deputy Superintendent of Insurance, State of New York.

CONDITIONS.

No business is more dependent upon public confidence for its permanent success than that of insurance, and, to a very large degree, the responsibility for maintaining its good repute rests upon the agent and the ability, honesty and fairness with which he deals with the public.

A brief review of the present condition of the agency force in the health and accident field—particularly in the industrial branch—and an attempt to show some of the reasons which have caused adverse citicism, should prove profitable, if thereby an interchange of thought among those present is stimulated, leading to the suggestion of helpful remedies.

In presenting this paper there is every desire to view this question from a constructive rather than from an adversely critical standpoint, but in order to reach the constructive stage, facts must first be stated, even if it is necessary to indulge in severe criticism.

The atmosphere surrounding the industrial health and accident field for several years past has been surcharged with criticism, and the tenor of the letters received at the New York department and, as advised, at the various other insurance departments, certainly indicates that public confidence in this line of insurance has been shaken. The investigation of 1911 brought out very clearly some of the reasons why the public was beginning to look with suspicion and distrust upon insurance of this kind.

Agents going into the business of writing industrial health and accident insurance have too frequently failed to take it up in the spirit of a permanent vocation. In too many instances they see only what looks like making an easy dollar. They do not realize that justice to the man with whom they deal and loyalty to the corporation they represent are one. In many cases they are permitted, and in some they are even encouraged, to believe that they should take advantage of every possible technicality in favor of the company as against the insured.

This indefensible condition, where it exists, is largely chargeable to the executives of the companies, who in too many instances do not undertake to organize their agency forces on a permanent and scientific basis. The agents are not properly trained or inspired by the company officials to whom they naturally look for direction. Seemingly they are only expected to produce business and to bring in premiums. With this for their stimulus, justice to policyholders and loyalty to company are too apt to be forgotten, their apparent self-interest leading them constantly to seek more remunerative contracts, whether with their own or with some other company. This leads to profit-sharing contracts on the one hand, and to twisting on the other. Both evils are, therefore, traceable directly to the companies themselves.

It must be recognized that industrial health and accident insurance is a comparatively new field. At best, the companies transacting this business are without that accumulation of experience and impetus which time and endeavor alone can give. The situation is further complicated by a rapid growth in the number of corporations organized for this purpose. These new companies

frequently present the most serious problems with which supervising departments have to deal. The slow growth which is natural to permanence does not satisfy them. Volume frequently means more to them than quality, and their methods are often unscrupulous, degenerating into mere raids on the agency forces of other companies resulting in the disturbance of policyholders who have absolutely no reason for dissatisfaction.

There is, moreover, an inherent difficulty attending the development of a proper agency force by even the best intentioned company. Agents are almost of necessity compensated by commissions, and industrial health and accident commissions, although relatively large, are usually insignificant in amount. At the outset, therefore, there seems little to attract a man of promise and ambition in this line of business, and the natural result is too often the recruiting of agents from classes which lack the mental and moral equipment which the business requires.

COMPANY REFORMS.

Grave as these difficulties are, however, the problem is chiefly one affecting the companies, and it must be solved by the companies themselves. The prime requirement for reform and uplift in the field is common purpose and effort. Much progress has, of course, already been achieved in this direction through the work of the Detroit Conference. This body, having in its membership seventy-seven companies transacting the business of health and accident insurance, seventy of which transact an industrial business, several years ago passed a resolution, the substance of which is:

> "That it is the sense of this Conference that the practice of taking one another's agents or established business is reprehensible and is destructive of public confidence and of good morals in business, and, therefore, this Conference recommends that its members refuse to negotiate with one another's agents, and also refuse to transfer one another's business."

An officer of the Conference advises that this resolution, backed up by honesty of intention, has operated with almost entire success among Conference companies. He makes the further statement that the Conference is making organized effort to eliminate from the field irresponsible, unworthy and dishonest agents by refusing to employ them; and that the Conference Educational Bureau has a more or less well-established system of information exchanges whereby Conference companies can be protected against agents who have established records for dishonesty with other companies.

The procedure above outlined should be commended. Unfortunately, there are approximately fifty health and accident companies—thirty-five stock and fifteen mutual—which are not members of the Conference, transacting industrial business, not including fraternals and small mutuals doing a local business. It is to be feared that even some of the Conference companies which have subscribed to the commendable resolution recited above, regard litttle more than the letter of their obligations. What with open defiance and secret disregard of the high code of ethics which this admirable association is endeavoring to establish, it is, perhaps, too much to expect sufficient unanimity of view and uniformity of action from the companies themselves to correct at once the evils which now exist. If, therefore, the supervising departments can add the salutary effect of compulsion to the moral support which they have already accorded the efforts which are now being made in order to bring into line those companies whose management seem either

filled with misgiving or deaf to reason, perhaps further impetus in the right direction may be given to the movement already begun.

SUGGESTIONS.

In view, therefore, of the existing conditions in the agency forces of the industrial health and accident companies, the following suggestions are made, in the belief that their adoption by the various State departments—through legislation when necessary—will contribute in some measure to relieve the situation and result in desirable reforms:

1. Certification of Agents by Company.—That when the appointment blank in use by State departments merely provides for the appointment of an agent without in any sense certifying to his character, such blanks be amended so as to require a certification that the company has investigated each agent designated and certifies that his record is satisfactory; and, in the case of a newly appointed agent, that the company has satisfied itself as to his trustworthiness and competency.

2. Filing Statement of Cause of Cancelation of Agent's License. That when a company cancels an agent's license it should file with the Department a statement of the facts causing such action.

The desirability of some such procedure is evidenced by a peculiar situation which has arisen in the New York department with one of the larger companies writing industrial health and accident policies. This company discovered that several of its agents were operating in a questionable, if not dishonest, manner, and it requested the Department, in the event of any other company appointing such agents, to refuse certificates of authority to them. The query was made whether, in the event of any of the questionable agents being appointed by some other company, the Department would be at liberty to notify the appointing company of the first company's experience with such agents. In reply the company lodging the complaint against the agents in question refused to assume this responsibility, stating that such action might involve them in a suit for damages.

It is believed that if the companies were required to furnish the information called for in this suggestion, for the official records of the departments which are, or should be, open to public inspection, it would safeguard all interested in securing the services of trustworthy agents.

3. Power Given Superintendent to Refuse Certificate.—That the supervising insurance official in every State—at least in the case of agents of health and accident companies—shall be given authority to refuse a license for good and sufficient reason.

Under the existing law in New York, the Superintendent has no authority to refuse a license to an agent who has made application to the Department and been duly designated by an authorized company. His only control over agents is the power to revoke their certificates if, after due investigation and a hearing, it is determined that the holder has violated any provision of the Insurance Law or has been guilty of fraudulent practices.

In New York a single certificate of authority is issued to an agent which entitles him to represent any and all companies, other than life and marine, for which he has made application and by which he has been duly designated. For life and marine companies the agent receives a separate certificate for each company which has designated him and for which he has made application. New York will recommend amendments to its agency law giving the Superin-

tendent the power to refuse a license for cause and requiring for health and accident agents a separate certificate for each company represented.

4. Profit-sharing Contracts.—That the convention go a step further than did the Milwaukee convention when it adopted a resolution regarding profit-sharing contracts, by committing itself to a policy which will not permit any company to have profit-sharing contracts with its agents.

The resolution adopted at Milwaukee following the investigation of 1911 read as follows:

> "That hereafter no agent, collector, adjuster or manager of such a company who is compensated in whole or in part by a profit-sharing contract, have power to settle claims."

Existing conditions seem to call for the abolition of all profit-sharing contracts. One of the leading and most representative underwriters in the casualty field, in a recent communication, tersely characterizes the evils of profit-sharing contracts as follows:

> "Profit-sharing contracts with health and accident insurance agents are bad in theory and worse in practice. They put a premium on meanness and sometimes lead to criminal practices. It is akin to the practice of the milkman who paid his drivers according to the number of pints they could sell out of each gallon."

5. Twisting.—That the various State departments follow the procedure adopted in New York last October when each company was notified in the event of application being made by another company for the licensing of a man already recorded as agent for the first company.

The effect of this practice, if followed, will be to place the company most vitally interested in a position where it can protect its business. It will be recognized that this is an effort to minimize twisting—one of the most reprehensible of practices and one of the most difficult problems confronting departments. It is difficult to define just what constitutes twisting. From one standpoint, the business good-will built up by an insurance agent is a personal asset. Certainly this is the fact in the case of an agent representing a health and accident company, a general casualty company, or a fire or marine company. The conditions in the life field are, of course, entirely different. An ordinary health and accident policy without accumulations may be as good for the insured in one company as in another—unless the policy has been in force for a period of time resulting in accumulations which would be lost to him by a change in policy contract. The ordinary industrial health and accident policy is a short-term contract, frequently renewable each month, and certainly renewable each quarter. There can, however, be no question that the changing of a contract from one company to another during the period for which the premium has been paid constitutes twisting.

From correspondence received incident to the procedure adopted by the New York department of notifying the various health and accident companies of the designation of their agents by other companies, it is clearly evidenced that companies fail to make proper investigation into the antecedents of agents appointed. One company official wrote, after designating as an agent a person in the employ of another company, that his company had no knowledge that this man was the agent of another company, until informed of that fact by the department, and stated that his company had no desire to employ the agent of a competitor. Certainly

if such were the fact, a very slight effort on the part of the company making the designation in the direction of investigating this agent would have resulted in the discovery that he was the representative of another company.

From the above, and many other facts that might be produced, it can be clearly shown that substantially all the evils of twisting can be suppressed if company officials will adopt the honorable rule of not filching the agency forces of other companies. Twisting must be cured by bettering the conditions in the agency field which, as stated above, can only be accomplished by a corresponding improvement in company practices.

6. Amendment of Laws Affecting Incorporation.—That the laws of many of the States should be so amended as to increase the capitalization requirement for corporations intending to carry on the business of health and accident insurance. This field is now overcrowded, and to properly protect the insuring public, incorporations of this character should be discouraged—not encouraged.

In the foregoing are some suggestive thoughts which it is believed, if followed, will improve this line of business. That improvement is necessary none will gainsay, and the executives of the companies should welcome an opportunity to better conditions. With the trend of sentiment in some quarters towards State insurance there is a possibility that company officials—particularly those supervising industrial health and accident corporations which come so close to the wage-earner—may be brought face to face with State insurance which it is believed would not be a situation particularly pleasing to the companies nor to a large majority of those present.

SUPERVISION OF LIFE INSURANCE AGENTS.

By Hon. John T. Winship, Commissioner of Insurance for Michigan.

If State supervision of insurance is essential to the welfare of the people, and the experience of decades has demonstrated that it is, the supervision of agents is quite as essential as the supervision of the companies, for it is the agent who is the connecting link between the company and the people. A dishonest or insincere agent could do as much damage as a dishonest or insincere official at the home office. His representations are the important factors with the life insuring public, for there are few subjects upon which the people in general are so little posted as the matter of life insurance. Men of great capacity in every branch of business seem totally ignorant of the nature of and conditions involving life policies. At one time there was a clarge class of life insurance agents who had more interest in reaping the reward of first premiums than in the ultimate outcome of the policy. But, in recent years, despite the strife for new and enlarged business, they have come to a realization that the spirit of reform in business life, as well as in public station, is having a marked effect in all matters pertaining to human welfare. While it is true that the great mass of agents have always looked with jealous regard upon the dignity and importance of their work, and have always had a keen conception of their responsi-

bilities, the work of State supervision cannot be tempered to the requirements or necessities affecting this class. The old saying that a chain is no stronger than its weakest link, is applicable to the business of insurance supervision, which must be conducted in line with its greatest necessity rather than with its least compulsion.

No man can have a more exalted opinion of the importance and greatness of the life insurance business than I have. The public in a general way has undoubtedly some conception of the extent of the business, but it is only in a body like this that a complete realization of its expansion and far-reaching relations to the public can be obtained. I likewise have the utmost regard for the high character of the men engaged in the business; but my conception of public duty is a rigid adherence to the law and to take nothing for granted, for in State supervision we are acting wholly as servants of the people, and, no matter how incisive the law, it should be enforced to the letter. It is not without the experience of some of you, I surmise, that there is a tendency on the part of some agents to assert that the supervising official is harassing them. I am a new member of this association; but it is impossible for me to conceive that the quality of men I find embracing this body is in the business of harassing anybody. My own conclusion would be that the average criticism heaped upon the supervising official is based upon his enforcement of a policy that really makes him a good insurance commissioner.

I cannot be expected to go very deeply into the methods of supervision of agents, except in a general way to declare that we must never take our hand off of the lever of control, no matter what the argument used in opposition to more advanced methods of supervision. I have had personal experience with nearly every line of policy issued—whole life, tontine, endowment, ordinary fraternal and step rate—and, claiming to be an average man, I am sure that it would not have been very difficult for an unscrupulous agent, conscious of the fact that few busy men look deeply into the subject of insurance, to have misrepresented matters to me.

I presume that it is the concensus of opinion in this body, that we not only have too many laws relative to every activity in life, but especially do we have too many laws relative to insurance regulation. Fewer laws, more accurately drawn and with greater degree of uniformity, would undoubtedly produce better results, but, to my mind, one of the reasons why we have so many laws is the fact that there is too great tendency to evade law on the part of the sharper and trickster, who is constantly looking for the loophole. I trust I am not unpatriotic when I say that we do not have the same respect for law in this country as is evidenced in European countries; and there is a large element in our business life that devotes a great deal of time to seeking evasion, through technicalities, rather than acquiescing in the spirit of the enactment. It is for this reason that at each recurring session of our State Legislatures we are obliged to fight for supplementary statutes to cover some latter day dereliction. Let me not be misunderstood in seemingly speaking thus harshly. I do not go on the assumption that insurance agents are dishonest. The vast, the very vast majority of them are keenly appreciative of the dignity of their work, the sacredness of their responsibility, and are men of integrity to the highest degree. Mindful of this fact, we are confronted with the caution not to do an injustice to the company or agent whose heart desire and conscientious effort

lies in the direction of strict observance. But legislation in the interest of the people is directed toward the individual who is not of the high type referred to, and in the mind of the supervising official it is no reflection on the honest man that some dishonest tricksters may be engaged in the same business. If that were true, we should have reflection cast upon the most ennobling profession known to civilization, the messengers of morality and spirituality, peace and good will, the expounders of the doctrines and glorious life of the Prince of Peace. If all men were honest, if all men were just, if all men were absolutely fair, if all men were imbued with the idea of doing unto others as they would be done by, we could wipe off of our statute books a vast number of our penal and even regulatory laws.

In the enactment of the regulatory laws relating to agents we are sometimes confronted with the statement that the companies themselves will control them, inasmuch as they cannot afford to have any questionable acts consummated. To a certain extent this is true, but, in the main, company regulation is ineffective. I believe when damage is done, by violation of regulatory law, it is not sufficient that the offender shall be dismissed from the service. The penalty should be one that acts for a deterrent, at any rate, and I have no patience with the man who says that such laws are merely nagging and have the effect of hampering men in pursuit of legitimate business.

I presume this general topic has been subdivided so that the life insurance agent may be discussed as a species of **genus homo** peculiar to itself, and because the work of the life insurance agent makes of him a trustee to whom the public is the **cestui que trust.**

It is not so many years ago that one took up the selling of life insurance only when he had failed at other lines, and this was taken up as an only means of livelihood. And it is a shorter time still, since a learned court of responsible jurisdiction, in deciding a case against the Insurance Commissioner of his State, with all the wisdom of an oracle, stated that it was a generally conceded fact that the statement of life insurance agents were very largely exaggerated and untrue. With all due respect for the opinion of the learned court, I am sure that his statements were expressive of an opinion formed in the years when he had more time than clients, and that he had not taken time to readjust his views. That statement, coming as an expression of a prominent court, was a gross injustice to the life insurance profession. For there has been a change in the personnel and character of the life insurance agent in the past few years. But in all beneficial changes in the natural world, you will find that nature works only in gradual and scarcely perceptible change; and so it is with the life insurance business. The change has been perceptible, but only to those who have taken the pains to investigate, or to those who, because of their position in relation to the business, could not fail to observe it. This has been the fortune of the supervising official. We who know, or who take the time to observe, see the business expanding and ascending day by day, and I believe that you will all agree that life insurance, even from an agency standpoint, has, in this day, assumed all the proportions of a full-fledged profession. That it is a noble one cannot be denied, because every life insurance policy sold is just one more stone in the foundation of social and commercial progress.

Supervision generally means the carrying out of certain work

according to definite or general specifications. We do have certain regulations for the guidance of the agent selling life insurance, and, as Legislatures come and go, we have more and more of the regulations. But, to my mind, supervision means something more than the mere enforcement of these statute laws by an Insurance Commissioner or Superintendent. I believe his duties extend to the ethical relations of the agent and the public, as well as to the legal. Regardless of what the business is, there are always certain practitioners who disgrace it either by their utter ignorance or by their wilful disregard of its welfare. These are they who look only to the ever present image of the almighty dollar and not to the future of the business and the regard in which it is held or will be held by the public. It is true that, in this day and age, a person buying life insurance generally gets value received, but this does not mean that what has been bargained for has been delivered.

For instance, an agent approaches a prospect and, finding that the man desires to purchase, if at all, an endowment policy, and it also appearing to the agent that the prospect would not pay the premium necessary for a 20-year endowment, sells him a 20-payment life, either deliberately misrepresenting the value of the contract at the end of the 20 years or permitting the insured to acquire a misunderstanding of the meaning of the words "paid up," the prospect believing that the face of the policy will be paid in cash at the end of 20 years. Of course, he has only paid a 20-payment life premium and the value of the policy is commensurate with the premium paid, but the insured failed to get what he bargained for. The minds of the insured and the agent met only on a false premise, and that premise was induced by the agent. A case when the injury to the insured is more pronounced is where a person is sold a 20-year term as a 20-payment life, in which case, if the insured is not advised of his mistake, he may be left at the end of the period with no insurance, and at that time be unable to secure any kind of insurance, with the prospect of leaving his family destitute and dependent on charity for livelihood. The Michigan Department has had to deal with a considerable number of these cases, and as a result certain agents have been barred from doing business in Michigan, others have been fined and two have served jail sentences for their offenses.

Such a case may be one of **"damnum absque injuria,"** but you cannot convince the public of that fact, and the resultant damage to the life insurance business, all due to the fact that one agent was not "on the square" or jealous of honor, cannot be overcome by the united action of a dozen honest agents aided by as many insurance commissioners.

Considering all of the phases of the life insurance business and of all other businesses, where is there a more sacred relationship created than that between the life insurance agent and the public? I believe that I have used the terms "trustee" and **"cestui que trust"** advisedly. The life insurance agent holds in his hands, in numberless cases, the future livelihood of widows and orphans. His is not entirely a work for profit, but he is helping to protect the innocent, the untried and the helpless. He is doing God's work. If he were dealing only with the present that would be different, but there is a silent partner to the contract—the wife, the child, possibly unborn. It is because of these that he whom the agent terms "the prospect" is convinced. It is because of these that there are today "rules of human conduct" in the sale

of life insurance. It is because of these that so great powers have been given to Insurance Commissioners and so wide a latitude given them in the matter of discretion. All betrayals of this trust are not the result of wilful action. It often happens that the damage is done out of the ignorance of the agent. To err is human, and we are all human. An error of the mind and not of the heart can be forgiven, but the errors will be few and far between if all agents will only stop and consider their trust and bear in mind always that good old rule of "do unto others."

The State of Michigan has a law on the statute books today which bears upon this subject, and I would that it might never have to be invoked, but I know that such a situation cannot be true. I refer to the law designed to prohibit misrepresentation, rebating and twisting, three of the evils that cause trouble for the commissioners and the agents—trouble for the good agent, because they tend to blacken his profession, trouble for the bad agent, because of a guilty conscience and possible prosecution, and trouble for the commissioner, because he must assist in the punishment of the guilty agent, and at the same time restore to the mind of the person deceived a little regard for the life insurance business.

In the good old days of no supervision, or possibly worse than none, no one considered that it was a crime to twist a policy. In the mind of a great many agents, all companies were crooked except the particular one that the agent represented, and it was just as much a mark of distinction as an agent to be able to write a large line of twisted business as it was to write the same amount of new business. It was a case of "everybody for himself and the devil take the hindmost," and it was such conditions that caused the learned judge, heretofore alluded to, to speak as he did. However, when people began to realize that one could not well change a policy from one company for a like policy in another company, with benefit to himself, they were touched in their tenderest spot and began to frown on the practice. The attitude that the public took toward life insurance men generally brought them to a realization that it was high time to create in the minds of the public a respect for the business, and now we find the company, agent and commissioner standing shoulder to shoulder in the fight to eradicate the twister, the rebater and the misrepresenter.

The Michigan law on misrepresentation and twisting which was passed by our Legislature this spring, is a modification of the model adopted by the convention last winter, and becomes effective on the 14th of August. It is simply placing on the statute books of the State a regulation in line with the practice pursued by former commissioners. Whenever charges are made against an agent to the effect that he has misrepresented or twisted, he is cited to appear at the department and show cause why his license should not be revoked. If, after the hearing, the Commissioner is satisfied that he is guilty as charged, the agent is so notified and that if he does not take an appeal from the decision of the Commissioner in ten days his license will stand revoked for a year. If, however, he desires, he may take the whole matter to the Supreme Court for review, and pending the decision of the Court, the revocation is withheld.

To this is also added, if the Commissioner sees fit to invoke it, the right to lay the whole matter before the prosecuting attorney, and it then becomes his duty to proceed criminally against the agent, and in case of conviction, the agent may be punished by

a fine of not more than $200, or imprisonment for not more than one year. The scope of this law is also broad enough to cover the operations of such gentlemen as Kight & Co., and the penalty is such that under the Michigan law extradition may be asked for the offender.

There is one other point that this law specifically covers that has been of some interest to this convention, and that is the estimation of future dividends. I understand that there are different opinions as to just how far an agent should be allowed to go in estimating the future returns on a participating policy, but we in Michigan have gotten to the point where we believe that the practice should not be temporized with, hence we have absolutely prohibited it. After August 14th estimates will not be permissible. Experience has taught that estimates of so-called dividends have played an important part in the sale of life insurance, and I have yet to hear of the case where a dividend has been underestimated. Because of this fact, many a man who would otherwise be a booster for the business has been convinced that the business as a whole is a gold brick scheme. Unfortunately there are at the present time certain agents in my State, and I presume that it is true in other States, who do not sell life insurance, but sell only dividends. Because of the fact they often seriously hamper the business of the agent who will not stoop to the use of the "white lie" to get business.

I do not believe that any man or body of men can bring about absolute chivalrous honesty of purpose in the life insurance business where it does not exist voluntarily, but I do believe that we can and should, each and all of us, use our offices for the promotion of right and square dealing, the education of the public, the aiding and assistance of those agents who realize the sacredness of their calling, the correction of errors of the mind and not of the heart, and, finally, the swift and uncompromising arraignment and punishment of those who wilfully and intentionally violate their trust.

With these things in mind, I hope that during my administration of the office of Insurance Commissioner of Michigan I may at least do a little toward the uplifting of the business of life insurance from an agency standpoint.

SUMMARY OF STATE LAWS, IN RESPECT TO SUPERVISORS' CONTROL OF AGENTS.

SUPERVISION OF AGENTS IN CONNECTICUT.

By Hon. Burton Mansfield, Insurance Commissioner of Connecticut.

Under Section 3625 of the General Statutes as it now stands, no person shall act as agent for any company of any other State or country until he has procured a certificate of authority from the Insurance Commissioner, stating that such company has complied with all the laws of Connecticut, which certificate shall continue in force until the first of the following April.

Acting under this law, the Insurance Commissioner furnishes to the companies blanks on which they make application for certificates of authority for their various agents.

When the application is received, the name or names are posted on cards, an individual card for each agency; each company has a number assigned it in order to take as small a space as possible on

the card. I might say here that the numbers are grouped, according to the class of business conducted by the various companies, for ready reference. Then the certificates are made out and mailed directly to the company making the application.

No other entry is made as the applications are filed in such a manner that they are readily referred to and are marked in such a way that it is possible to see at a glance that the names have been posted and certificates made out.

A space is ruled off on the agency card headed "Report Record," which is used to show those agents to whom the annual reports of the department are sent. Any reflection on the ability or character of the agent is noted in this space, so that when another company applies for the appointment of the same agent we may know whether he is a desirable agent or not.

During the eight years this system has been in force, not over ten notations in regard to ability or character have been necessary, and in only one case has a company applied for a certificate after this information had been noted.

There are about 4,500 individual agency cards in force. There have been in the neighborhood of 10,000 certificates of authority issued during the current year. The General Assembly of 1913 amended Section 3625 to the effect that no person shall act in Connecticut as agent of any company until he shall have a certificate stating that his principal is authorized to carry on its business in this State, and said person is its duly authorized agent. The Insurance Commissioner shall issue said certificate upon receiving the principal's written application therefor, and upon ascertaining, in such way as he shall deem best, that said person is a proper person to act as its agent.

Acting under this amendment the Insurance Commissioner has prepared forms to furnish each company for making this written application, stating that through its proper authority, it has investigated the character and ability of the person for whom a certificate is desired. The Insurance Commissioner has also prepared forms for each agent to fill out, setting forth his qualifications to act as such agent. The method of handling this information has not been decided upon.

Hitherto the agents of our own State fire companies have not been obliged to take out certificates of authority. After August 1st such agents, in common with all others, must do so, the new law applying to all companies and agents doing business in the State.

As to "Insurance Brokers," Section 3630 of the General Statutes defined the term as follows:

Whoever for compensation acts or aids in any manner in negotiating contracts of insurance or reinsurance, or placing risks, or effecting insurance or reinsurance for a person other than himself, and not being the appointed agent or officer of the company in which such insurance or reinsurance is effected, shall be deemed an insurance broker, and no such person shall act as such broker except as provided in Sections 3631, 3632 and 3633.

Section 3631 modifies Section 3630 and allows authorized agents to negotiate contracts of insurance or reinsurance with any domestic insurance company or its agents and with the agents in Connecticut of any foreign insurance company admitted to do business in Connecticut; provided that such contracts shall be of the same class and character of insurance or reinsurance as those which the agent is allowed to effect.

Section 3632 says: The Insurance Commissioner may, upon the

payment of a fee of ten dollars, issue to any person a certificate of authority to act as an insurance broker to negotiate contracts of insurance or reinsurance or place risks or effect insurance or reinsurance with any qualified domestic insurance company or its agents, and with the authorized agent in this State of any foreign insurance company duly admitted to do business in this State. Said Commissioner may prorate the fee for such certificate in proportion to the time such certificate has to run; but no such certificate shall be issued for less than three dollars.

Section 3633 provides that such certificate shall remain in force until the following April, unless it is otherwise stated therein, or unless sooner revoked by the Commissioner for cause. Such cause shall exist upon conviction of the holder of such certificate of a violation of the insurance laws, or whenever it shall appear to the Commissioner, upon due proof after notice, that the holder has unreasonably failed and neglected to pay over to the company or agent entitled thereto any premium or part thereof collected by him on any policy of insurance. The Commissioner shall publish such revocation in such manner as he deems suitable for the protection of the public.

The General Assembly of 1913 passed the following law governing non-resident insurance brokers:

No insurance company, agent, or broker, authorized to do business in this State, shall pay a commission or valuable consideration to any person, partnership, association, or corporation of another State, to effect contracts of insurance in which a broker's license is required to be held by any person, partnership, association, or corporation of this State, unless such person, partnership, association, or corporation of such other State has taken out a broker's license in this State and paid the same fees as are required in like cases by such other State.

Any person violating any of the provisions of this act shall be fined not more than five hundred dollars.

This act is intended to prevent any corporation, broker or agent of another State from placing insurance on risks in Connecticut with any insurance company, broker or agent unless such corporation, broker or agent of such other State has been authorized to do business in Connecticut.

SUPERVISION OF AGENTS IN ILLINOIS.

By Hon. Fred W. Potter, Superintendent of Insurance of Illinois.

Legislation has been passed in late years in not a few States giving the supervising insurance official, by whatever title he may be designated, the authority to call for certain requirements of agents of both domestic and foreign companies prior to issuing them a license, or certificate of authority, to do business in the commonwealth.

These inquiries usually run to a knowledge of the particular line of insurance which the agent expects to pursue, to his integrity, to his experience as an insurance agent, to his present and former occupation. He is also asked whether his license has ever been revoked or suspended by any insurance department, how much time he expects to devote to the business of soliciting, whether he owes any company for which he formerly worked any money, and frequently he is asked how much business he has written during the past year. Proper answer made to these questions surely ought to

enable the supervising official to form a fairly accurate estimate of the man who is asking that a certificate of authority be issued to him.

Unlike some of the other States represented here, the State of Illinois gives no such authority to its supervising official, and the writer of this paper has been slow to assume authority not clearly implied, or expressed in the statutes. His powers of supervision over agents vary in the different acts which make up the insurance code of the State.

It has been the settled policy of the State of Illinois not to impose needless burdens of any kind in the way of taxation of local companies—fire, life, casualty or surety. No taxes on premiums or reserves are levied, nor are agents of domestic companies required to pay for certificates of authority permitting them to transact the business of insurance. In fact, these agents are not required to take out a license to do business. While I am in sympathy with the policy of the State in not requiring fees or taxes of home companies, yet I am an advocate of a law requiring agents of local companies, as well as those of other companies, to obtain a license to transact business. They should, in my opinion, be subject to the same supervision as agents representing companies of other States, as the power to revoke the license of an agent is one of the most, if not the most, effective means of supervision. The only exception to the rule of taxation stated above is the tax of one-fourth of one per cent. of premium of fire companies collected in the State, for the support of the office of fire marshal, a license fee of 50 cents for the agents of domestic fire insurance companies, and a larger fee for a surplus line agent's license.

The usual reciprocity or retaliatory laws are found in the insurance code of Illinois, and under these sections large amounts of money are collected from the companies of other States. Personally, I should be glad to see all the taxing laws applicable to insurance companies repealed in all of the States, with the exception of the collection of enough money in the way of fees and taxes to conduct the insurance department of the various States on an efficient basis. When one considers that these taxes are usually paid by the thrifty for the benefit of the non-thrifty, it is indeed a surprise that the policyholders tolerate such laws, which seem to be on the increase in the various States and in the nation as a whole.

The fire insurance code of Illinois provides that agents of foreign companies—and the term "agent" is defined as an acknowledged agent, surveyor, broker, or any other person or persons who shall in any manner aid in transacting an insurance business—must have from the Insurance Superintendent a certificate of authority authorizing them to transact business. Failure to observe this requirement of the law subjects the agent to a penalty of not exceeding $500, and in the case of the non-payment of the penalty the offending party is liable to imprisonment for a period not exceeeding six months, in the discretion of any court having cognizance thereof.

The charge for a certificate of authority for agents of foreign companies is $2.00, and in case a company comes from a State having a higher charge for an agent's license the retaliatory laws operate, and the agents of such a company must pay such fees as are charged by the State from which the company comes.

There is a special act in Illinois providing that what are known as Surplus Line Agents may be licensed. The fee charged for such a surplus line agent's license in a county exceeding 100,000 inhabitants is $200, and in all other counties $25.00. This license

enables the holder thereof to secure insurance in unauthorized companies in case he is not able to find authorized companies to fill the line of insurance desired. There is no effective penalty for a violation of this act, the only one available being a refusal to renew the Surplus Line Agent's license.

There is no specific authority given the Insurance Superintendent under the Illinois law to revoke the license of an offending fire agent, no matter how bad his practices may be. In this the law is extremely weak. In practice, however, I have usually found that, by calling the attention of the management of the company whose agent has violated the law, to the situation, and by asking the co-operation of the officials of the company in maintaining a higher standard of agents, and, further, by an inquiry directed to the management asking whether in view of all the facts presented it still desires to retain the offending agent, the supervising official can usually accomplish what he wants in the way of disciplinging the offender. The rule is that companies, when convinced that an agent is guilty of bad practices, will request the Insurance Superintendent to cancel the license or certificate of authority, and if the agent represents other companies the attention of such other companies is called to the situation, and they are asked whether they desire to retain the guilty man as their agent. Frequently they state that they do not, and they also request that the certificates of authority he holds to transact business for them be revoked. In relicensing agents early in the year the Superintendent has an opportunity to refuse to license objectionable men, and by this means he keeps to some extent undesirable agents from attempting to transact business in the State.

The life insurance code is much like the fire insurance code with respect to its requirements of agents, and in respect to the powers of supervision given the Superintendent. In Illinois the question, "Who is an agent?" has been a vital one for some time. The law says that "Whoever solicits insurance on behalf of any life company not chartered by, and not established within the State, or transmits for any person other than himself an application for life insurance, or a policy of life insurance to or from such company, or advertises that he would receive or transmit the same, shall be held to be an agent of such company to all intents and purposes." There is a provision for a fine not exceeding $500 for an agent making insurance in violation of any of the laws of the State.

The department has held that all helpers who assist regularly licensed agents in obtaining business for a part of the regular agent's compensation are also agents of the company, and as such must obtain a certificate of authority. All the above applies to agents of foreign companies, as the agents of domestic companies are not required to hold such a certificate.

The usual Anti-Rebate law with reference to life agents is found in Illinois, and the penalty for such an act is a revocation of the agent's license. This is mandatory, and once the Superintendent is advised that a court of last resort, in case the matter is appealed to such court, has found the agent guilty, it is his duty at once to revoke the license. It ought to be said, in passing, that such revocations are not frequent, owing to the difficulty in obtaining convictions for violating the Anti-Rebate law. The question of the restoration of the license of an agent who has violated this law is a matter within the Superintendent's discretion, and the practice has been to restore the license within a reasonable period, especially

if the agent will give assurances of his intention to observe the law, and if the company requests that the license be restored.

For a violation of the law with reference to misrepresentations with respect to dividends, terms of policies, etc., the agent or individual violating it is liable to a fine of not less than $25.00 nor more than $500. There is no provision in this statute for revocation of the agent's license, but in flagrant cases the companies are asked whether or not in view of the circumstances they desire to retain the services of the offending agent, and to their credit it must be said that they frequently co-operate with the department by asking that the license of the offender be cancelled, or suspended for a time, at least.

The laws affecting assessment life insurance companies, casualty companies, and surety companies, are much the same as those affecting the agents of the companies noted above.

Personally, I am quite in favor of more stringent regulations for agents than the Illinois code provides. Sensible regulations and provisions affecting the licensing of agents must make for better practices on their part, and the honorable agent who respects the law, the company which always makes a point to comply with all its provisions, and the insuring public, are all entitled to the protection afforded by those wise laws which raise the standard of qualifications of those who represent the companies.

THE MASSACHUSETTS SITUATION RESPECTING AGENTS AND BROKERS.

By Hon. Frank H. Hardison, Insurance Commissioner of Massachusetts.

During the year 1911 the Legislature strengthened the law regulating the issuance of licenses to insurance agents and brokers. This legislation was the result of a general belief that the former requirements of the law had not been sufficiently strict to eliminate from this field men who were not entitled to licenses, on the ground of competency or the good faith with which they were transacting an insurance business or both. The act requires the Insurance Commissioner to issue an agent's license to any person appointed by an authorized insurance company, if he is satisfied that the appointee is a **suitable** person; and a broker's license to any **suitable** person applying for the same if he is satisfied that said person is **trustworthy, competent** and intends to hold himself out and carry on business **in good faith** as an insurance broker.

The act further provides that the information required by the Insurance Commissioner to enable him to determine a person's suitability shall be furnished by appointees or applicants under oath. The statute does not define what constitutes **suitability** in an agent or **competency** in a broker, but leaves with the Insurance Commissioner the determination of this, as well as what comprises holding one's self out and carrying on business in good faith as an insurance broker. Consequently, it has been necessary that due attention be given by the Massachusetts Insurance Department to the **applications** of brokers and **sworn statements**

of agents. Many interviews are granted to persons interested; records of insurance transactions reviewed in doubtful cases, and as a result certain general rules have been adopted to govern the procedure of the department in the administration of the statute.

The section of the new statute pertaining to insurance brokers went into effect June 11, 1911. The applications for broker's licenses during the first year showed that many persons engaged chiefly in other lines of business or professions had been given such licenses in the past, and that others who had had no experience or knowledge of the insurance business were applying for licenses. Licenses have been refused the latter group on the ground that a person was not competent to transact an insurance business who knew nothing of insurance laws, insurance customs or insurance contracts. It was believed that the public should not be required to take the risk resulting from inexperienced and uninformed persons handling its insurance, and all applicants who intended to take up the insurance business in good faith were advised to obtain agency licenses if possible, insurance companies thus becoming responsible for them, and thereby get the requisite experience and information.

In the case of persons having a business or profession besides insurance, each application is considered on its merits and an effort made to obtain from the applicant the facts pertaining to his insurance business. Investigation has shown that applicants for broker's licenses, with whom insurance is not a major business, and to whom the following statements directly apply, have invariably desired them for the purpose of handling fire insurance. Investigation has been confined principally to persons transacting business in the larger communities, as it was realized that in the smaller towns and villages the insurance agent must of necessity combine other lines of business with insurance in order to obtain a living. Furthermore, the people residing in such a community are familiar with the various occupations of its residents, and there could be little doubt that a person in such a district fully met the requirements of the statute in regard to holding himself out and transacting business in good faith as an insurance broker.

Licenses have not been granted to persons whose insurance transactions have been confined chiefly to their own property or interests, to employees of corporations, firm or individuals placing the insurance of their employers; trustees or their employees handling the insurance of the trusts; to persons whose principal business has been a line other than insurance, where the insurance business has been confined chiefly to customers of such other business and no effort made to transact an insurance business with the public, as it is believed that such persons are not holding themselves out and carrying on business in good faith as insurance brokers, nor performing any function that entitles them to compensation. Generally, applicants transacting a real estate business have been approved, as the majority of such are maintaining real estate and insurance offices and advertise both lines equally. In the case of real estate operators investigation is made to determine if the insurance placed was chiefly on property with which the applicant was speculating, and if such was the fact, licenses have been refused. Licenses have been refused to minors on the ground chiefly of immaturity legally and in a general way and incompetency. A considerable number have been interviewed and invariably showed little knowledge or conception of the business.

It had been asserted that officials of savings and co-operative banks, many of whom have held insurance licenses, were confining the solicitation of insurance to borrowers from the bank; that in some cases it was required that the placing of the insurance on property in which the bank was interested as mortgagee must be handled by the licensed bank official; that in other cases policies in responsible companies were ordered cancelled to enable the official to place the insurance in companies that he represented as agent; and that in general the competition offered by such officials were improper and unfair. In all such cases the department has required, before issuing a license, evidence that the applicant is conducting a general insurance business in addition to his duties as a bank official; that the giving of the insurance involved to said persons to place is not necessary in order to obtain a loan from the bank, and an agreement from the applicant for a license that he will not solicit the renewals of expiring insurance policies in which the bank is interested as mortgagee. The efforts of the department to issue broker's licenses only to persons who were trustworthy, competent, generally known as insurance men by friends, acquaintances and the public, and who were actively engaged with attention and effort in the insurance business, has resulted during the first year after the law went into effect in the refusal of licenses to 231 applicants, 64 of whom were applying for the first time.

At the session of the Legislature this year an act was passed providing for limited broker's licenses, that is, licenses which limit the scope of the broker's authority to broker business as may be agreed between him and the Insurance Commissioner and expressed in the license. If an applicant is adjudged to be competent along one line only, as life insurance, his license covers that only. In many cases this limited license is issued where a full license would be refused, and it answers very well the purpose of the licensee which was to place surplus insurance in his regular line.

The fee for all broker's licenses, limited or unlimited, is $10 for a year, with no rebate for part of a year, and no other reason except that a veteran of the Civil War pays no fee. Residents of other States have the same right to broker's licenses as residents of Massachusetts, if those States grant broker's licenses to residents of Massachusetts, but not otherwise.

The section of the statute pertaining to agents went into effect January 1, 1912, and the same general rules, with the exception of those pertaining to competency, have been applied to the appointees of insurance companies. The department has not attempted to determine the competency of persons appointed as agents, except in the case of minors, as under the statute the companies are required to certify to their belief in the competency of the appointee, and as the responsibility of the company for the acts and knowledge of its agents cannot be avoided. Closer attention has been given to the appointees of fire insurance companies than to those of other classes of insurance companies, for it appears from investigation that in this field particularly competition has brought about the abuses that the Legislature intended to correct. Few cases among the agents of life, accident or miscellaneous companies have come to attention where the purpose for appointing the agent was to allow the agent a commission on his own insurance, or where the agent does not earn his commission by the time and effort he devotes to obtaining the risk. Competition in the field of fire insurance has led the com-

panies and their representatives to appoint men as agents who never intend to conduct an insurance agency, solicit insurance or do anything more than turn over to such companies or their representatives the insurance on property owned or controlled by them, and receive a commission in return. The insurance statutes forbid rebating any part of the premium to the insurer, and while the legal aspect of the matter is changed by the agency appointment, the proposition is indefensible, and should not have been countenanced by the companies. If these men are entitled to commissions on their insurance, then every person who owns or controls property is equally entitled to a similar rebate of premium. With agents, as with brokers, the department is holding that a person who does not devote any time or energy to the prosecution of an insurance business with the public generally, and who is not recognized by the public as an insurance agent, is not a suitable person to hold licenses from the department.

The law forbids a person for compensation to act as an agent or broker or to act for an unauthorized company. It makes the agent or broker the agent of the company for the purpose of receiving premiums for policies, so that the insured is always protected when he has paid the premium to the person who has been entrusted by the company with the delivery of his policy.

The Insurance Commissioner has full authority to revoke the license of an agent or broker for cause, and he is sole judge as to what constitutes cause within the meaning of the law.

AGENTS AND THE LAW IN MISSISSIPPI.

By Hon. T. M. Henry, Insurance Commissioner of Mississippi.

Mr. President and Gentlemen:

I have prepared no formal paper on this subject, and on the principle that a short horse is soon curried, unless I decide to make the currying more effective than is usually needed, the prospects are good for a short speech.

When I was informed that I was on the program for a speech on this subject, I began to investigate the laws of other States covering the same. Where I looked for strength I often found weakness and ascertained that many of the States were in the position of Mississippi—with very little specific law relative to the licensing of agents. Since that time several States have strengthened their law, I am glad to see. But I have always gone it on the principle that when a thing ought to be done in the interest of the public good, to do it and look the sustaining law up afterwards. (Applause and laughter.)

Proceeding on that line, about as bad a "would-be" agent—he was bad along all lines; he wasn't only bad as an agent, he was bad as a man, he was bad as a citizen, and he was bad in almost every other direction, but notwithstanding he applied for a license through a certain fire company. It seems that this company was in woeful ignorance as to his reputation; and it also appeared after an investigation that I seemed to be the only person that had these facts in hand. The company has since informed itself and now fully endorses my stand.

I feel that I should go into this a little more fully than ordinarily would be necessary, as it strikingly illustrates the principle, and I think if you will adopt the same rule, that you will have fewer bad agents after they have made the record and "skinned"

a good many people. The only drawback about this precedent is, that they must have made that record and done the damage, "skinning" and all, before you have the facts on which to act. But fortunately I had this fellow's record pat. The company applied for a license for him and I balked. I said to the company: "The license for that gentleman will not be issued yet-a-while." It asked, "Why?" I replied, "Just because I am not going to issue it; that is why, and for other satisfactory reasons." (Laughter.) The agent wrote, and I presume re-wrote the company, and the company replied to the agent, and while I do not suppose it meant to put me in a hole, it was endeavoring to put all of the burden on me, so to speak, and measurably did put me in the hole. (Laughter. (Presume that kind of companies is not entirely unknown to you.)

The company finally wrote the aforesaid agent that if he would come around and patch up his differences with the Insurance Department that it would be glad to apply for a license; that his record had been satisfactory, and he had made a tip-top agent. You can imagine how a statement of that kind is calculated to "puff-up" an agent of that sort, and it was not without that effect on him. He chuckled that he had me in a hole then sure enough. He wired me; he wrote me, and I presume, from his antics, he must have fairly pawed the ground. I let him pitch and cavort, thinking that exercise of that kind might cool his ardor, but it failed to have that effect. He finally got so insistent that a more positive answer could no longer be deferred. He said: "I want to know why you decline to issue this license that my company has applied for?" I replied: "Because I do not regard you as a suitable man, and for other reasons previously stated to you." I wanted to leave the way open, you understand. (Laughter.)

Right here I desire to endorse the uniform law agreed to by this convention, in which the lack of competency and suitability are made sufficient grounds for declining to issue agency licenses.

Well, sir, what do you suppose that fellow did? He went around to a law firm in my town, and engaged it to take the case, I presume on a contingent basis. This firm took the matter up with me by mail. I did not answer its letters at once, thinking it might get tired and pass the agent up after being informed of his reputation. But it was not composed of that kind of lawyers, and was insistent to be cited to the law authorizing me to inquire into the character or qualifications of an agent. I answered over the phone (laughter), called them up one day (continued laughter), and said: "I am surprised at your asking such a question as that; haven't you read the law?" (Laughter.) They replied: "We have been studying and looking up this law ever since our client asked us to bring this ten thousand dollar suit against you, and we haven't found where you have any authority at all in the premises." I said: "You haven't looked far enough. (Laughter.) I have the right. I am going to exercise it and that man will not be licensed as an insurance agent so long as I am Insurance Commissioner of Mississippi, unless the Supreme Court desires to take the responsibility therefor."

From their past maneuverings I well knew what this refusal meant. The suit was immediately filed, but has not yet been tried. It is still pending. It will probably come up for hearing at the September court. My brother happens to be the circuit judge of that court. (Applause and laughter.) Now, of course, he won't be eligible, but it also happens that the Governor is a friend of

mine and one of his prerogatives is to appoint special judges in such cases." (Applause and laughter.)

But, my friends, I want to say in all seriousness, that I decided it was about time for somebody to take a stand on this question of discretionary power, as the same relates to withholding licenses from objectionable agents; and if the same did not exist and there was no specific law on the subject I wanted the public to know the facts so that it would not be "cussing" and villifying me for licensing an irresponsible agent.

Now, I am going to win that case in the circuit court, I believe. (Laughter.) I believe also I am going to win it before the State Supreme Court if it ever gets that far; for while I may be short on specific law as it relates to agents, I am long on discretionary power, the Supreme Court having strongly announced that this power of an Insurance Commissioner could not be mandamused or controlled. That he could not be forced to license an insurance company against his judgment, especially when he believes it was issuing an insurance policy in the State of Mississippi inimicable to the public good; and I do not believe that the court will differentiate or make any distinction between the company and the agent in this respect, for the reason, as the business of insurance is transacted in this country, all over it, the agent is absolutely an essential, indispensable part of the scheme.

If I succeed in winning this suit, as I firmly believe I shall, I will let you all know about it and maybe the result will give the weak ones, if any such there be, the necessary backbone to stand on. (Laughter and applause.)

There is only one thing about the whole matter that kinder cast a gloom over me, and that is that the man sorely needs the money; and if I win the case before the courts, his disappointment will be great. (Applause.) But I am not going to be a volunteer contributor to him, "if the court knows herself and she thinks she do." (Laughter and applause.)

NEW YORK INSURANCE LAW—AGENTS' CERTIFICATES OF AUTHORITY PROVIDED FOR.

Three sections of the law relate to agents' licenses, namely: 50, 91 and 142. Except as to life agents, controlled by Section 91, Section 50 was the only one regulating agents for foreign corporations until January 1, 1912. Section 142, added to the New York Insurance Law by Chapter 748 of the laws of 1911, was the first requirement carried in the New York law for the licensing of the agents of domestic fire and casualty insurance corporations. This section is so drawn as to include agents for foreign corporations of the same character. By this enactment in a large measure the provisions of Section 50 are superseded. Section 142 expressly exempting marine companies, except when writing automobile insurance, necessitates the use of Section 50 for foreign marine companies writing strictly ocean marine policies.

As stated in Mr. Appleton's paper in re health and accident agents (industrial) the agent licensed under Section 142 receives one certificate which entitles him to represent any and all companies other than life and marine for which he has made application, and by which he has been duly designated.

As further stated in that paper, the Superintendent has no authority to refuse a license to an agent who has made application to the

department, and has been duly designated by an authorized company. This refers particularly to Section 142, under which health and accident agents are licensed. Moreover, as is set forth in that paper, the only control which the department has over an agent licensed under Section 142 is the power to revoke his certificate if, after due investigation and hearing, it is determined that the holder has violated any provisions of the insurance law or has been guilty of fraudulent practices.

There is no power of refusal of a certificate of authority to an agent applied for by a foreign marine insurance company and appointed under Section 50.

Section 91, controlling life insurance agents, is applicable to domestic and foreign corporations. In this section is an express provision as follows:

"The Superintendent of Insurance shall have the power to refuse to issue or renew any such certificate in his discretion."

Life insurance agents must make written application to the Superintendent upon a form approved, giving such information as may be required by the department, and the application must be countersigned by the company.

It is a general rule of the department not to license part-time men, physicians or lawyers. Exceptions are made as to part-time men in small communities where the volume of business obtainable would not warrant a man's devoting his entire time to insurance. Again, in cities where a man of proper qualifications is desirous of entering into the business of life insurance, intending to devote in the beginning a part of his time thereto, upon proper representations and satisfactory investigation he may be licensed as a life agent. In such event, however, there is attached to his certificate of authority a circular letter calling attention to the fact that it is expected that within a reasonable period of time he will show evidences of building up a business which will warrant him in devoting all of his time to the company or companies he may be representing.

The agent for a life company for the first year makes application on blank furnished by the department, duly countersigned by the company. The agent representing a company for the second year is not required to make an application to the department—he is designated by the company on a blank which indicates the volume of business transacted by him for the previous year. If it is shown by such blank that no volume of business has been done by such agent, it is customary to refuse him a renewal license.

The agent receiving a license under Section 142 makes annually an application on a blank furnished by the department. He may mention on this blank several companies. His certificate will entitle him to represent all companies mentioned, provided the companies have properly designated him to the department on the appointment schedules furnished. If an agent, after filing his original application at the beginning of the year, takes on another company or companies, he must file a supplemental application, and, when designated by the new company, he is empowered under his certificate to represent both the company or companies on his original application and the company on his supplemental application.

This briefly outlines the agency licensing system of the State of New York.

The necessity for licensing the agents of domestic fire and casualty companies is due to the legislation of 1911 prohibiting payments or division of commissions by an authorized underwriter

with other than a person, partnership or corporation which is a duly authorized agent of such an underwriter.

NORTH CAROLINA LAWS—SUPERVISORY CONTROL OF INSURANCE AGENTS.

By Hon. J. R. Young, Insurance Commissioner of North Carolina.

In attempting to give you a summary of the laws of my State in regard to the supervisory control of insurance agents I may be pardoned for saying that in my opinion no insurance laws upon the statute books of any State are more important, or necessary, than those enacted for the supervisory control of insurance agents. Insurance agents have a great responsibility, holding, as they do, within their control the highest interests of the insuring public, as well as of the insurance companies. As a general thing, they are well paid for their services, or, at least, sufficiently so to justify their being informed as to the various duties devolving upon them, and what is necessary to be done in order to protect the companies who entrust them with their agencies, and the public, many of whom are their friends and neighbors, and who rely upon them for the proper writing and handling of their insurance of the various kinds or classes.

The insurance agent should at all times understand his business and be qualified to carry out the trust and confidence reposed in him. He should be a man of high character and conscientious in his work, and never indifferent or careless in looking after or protecting the interest of either his company or the assured.

There is no question but that the general agency system of the country can, and should, be improved, not only by proper laws upon our statute books, but by a greater care on the part of insurance companies and their general agents in the selection and management of their representatives.

The time has come when companies should cease to allow competition and the rush for business to foist upon them agents who have neither the character or ability to faithfully serve them in coming up to the responsibility that must be placed upon them. In the enforcement of no other law upon our statute books should a Commissioner feel that he can rely more upon the unqualified aid and assistance of the officials and general agents or managers of the insurance companies. It should not be said that there are things that make an improvement impossible. Many put the blame upon the officials of other companies, or upon the manner of compensation. I have about come to the conclusion that the fire insurance agent at least should be employed not upon a regular, but contingent commission.

1. Under our law all agents, whether representing company, association or society, must be licensed by the Insurance Commissioner, as provided in Section 4706, revisal of 1905, and are penalized for not procuring a license (Section 3484) or for not exhibiting such license on demand (Section 3485).

2. No agent can act for an unlicensed company (Section 4813). If any one undertakes to represent an unlicensed company he is not only indictable, but personally responsible for any loss incurred by the assured.

3. The agent must account for all funds received by him, or under our law he is guilty of larceny (Section 3489), and the law is very broad.

4. An insurance agent in our State is guilty of a misdemeanor if he violates any section of our insurance law (Section 3490).

5. In North Carolina, all insurance companies, except life, must be represented by resident agents, and can issue policies only through them (Sections 4764 and 4810), and a resident agent can share with or pay commissions only to licensed resident agents or licensed non-resident brokers (Section 4766). A violation of either of these sections subjects the agent to indictment with a penalty of fine and imprisonment, and to having his license cancelled by the Insurance Commissioner (Section 4767).

6. Discrimination between insurants is forbidden to all insurance agents and companies (Sections 4775 and 4810).

7. Under Sections 4810 and 4775b, misrepresentations or twisting is forbidden all insurance agents licensed to do business in the State.

AN ACT—To Regulate the Licensing of Insurance Agents.

Section 1. "That before any license is issued to any insurance agent in this State, the agent applying for such license and the company for which he desires to act as agent, shall apply for such license on forms to be prescribed by the Insurance Commissioner, and before any license to such agent is issued the Insurance Commissioner shall satisfy himself that such person so applying for license as an agent is a person of good moral character, that he has not wilfully violated any of the insurance laws of this State, and that he is a proper person for such position."

From the above it will appear:

1. That the Insurance Commissioner must provide the forms of application for agent's license.

2. That this application must be signed by both the company and the agent.

3. That the Insurance Commissioner must be satisfied:

a. That the proposed agent is a person of good moral character.

b. That he has not wilfully violated any of the insurance laws of the State.

c. That he is a proper person to hold such license.

Revocation of License.

Sec. 2. "That whenever the Insurance Commissioner shall become satisfied that any insurance agent licensed by this State has wilfully violated any of the insurance laws of this State, or has wilfully over-insured property of any of the citizens of the State, or has wilfully misrepresented any policy of insurance, or has dealt unjustly with or wilfully deceived any citizen of this State in regard to any insurance policies, or has failed or refused to pay over to the company which he represents or has represented, any money or property in the hands of such agent belonging to the company when demanded, or has in any other way become unfit for such position, then and in any of such cases the Insurance Commissioner may, and it shall be his duty, to revoke the license of such agent for all the companies which he represents in this State for such length of time as he may decide, not exceeding one year: Provided, however, That the Insurance Commissioner shall give to said agent ten days' notice of such revocation of such license, and shall give the reasons therefor. And said agent shall have the right to have such revocation reviewed by any judge of the Superior Court of North Carolina upon appeal."

You will see from Section 2 of said law, as given, that the Insurance Commissioner may, and it is made his duty, to cancel an agent's license for the following reasons:

Whenever he shall become satisfied

1. That the agent has wilfully violated any of the insurance laws of the State.
2. Wilfully over insured property of any citizen of the State.
3. Wilfully misrepresented any policy of insurance.
4. Dealt unjustly with any citizen of the State in regard to any insurance policies.
5. Wilfully deceived any citizen of the State in regard to any insurance policy.
6. Failed or refused to pay over to any company which he represents any money or property in his hands belonging to said company.
7. Or has in any other way become unfit for such position.

You will observe that it is made the Commissioner's duty to revoke such license, and that the agent's license must be revoked for all companies represented by him. Also that the Commissioner must give the agent ten days' notice of such revocation and the reasons therefor. Also that the agent has the right to appeal in regard to such revocation of license to a judge of the Superior Court.

Also that the Commissioner, for the purpose of investigation under this act, is given all the powers conferred by Section 4767 of the revisal of 1905.

These matters are all clearly set out and need not be enlarged upon, but it might be well to state that the Commissioner, in passing upon applications for license, considers in judging as to the qualifications of the agent the several matters enumerated as reasons for the cancellation of licenses in Section 2.

SUPERVISION OF AGENTS.

By Hon. F. H. McMaster, Insurance Commissioner of South Carolina.

A facetious friend once remarked that the Insurance Commissioner of South Carolina was a czar. Members of the national convention of Insurance Commissioners from those States having insurance codes dealing in details are under suspicion of suspecting that the insurance laws of South Carolina are undeveloped and are sadly lacking in some respects.

The Insurance Commissioner of South Carolina is no czar, for every ruling, act or decision of his is subject to review by any circuit judge or justice of the Supreme Court, at chambers or in open court. Not only must he be most circumspect, but he must have, and be able to show, most substantial authority for everything that he does. It is no wild extravagance to say that the national convention of Insurance Commissioners is responsible for many of the rulings, acts and decisions of the Insurance Commissioner of South Carolina. As the national convention declares principles of public policy, of equity and fair dealings, as between company and policyholder, those principles are enforced in South Carolina, and the insurance code of South Carolina is lacking in details only wherein the national convention has not declared itself.

The insurance laws of South Carolina deal almost entirely in general principles. In the callow days of the present Commissioner

an insurance code, composed of what was supposed to be the best in the laws of Massachusetts, Connecticut, New York, Virginia, North Carolina, and other States, was proposed as a legislative bill and favorably reported, but the General Assembly balked at its reading, and it was postponed to a more convenient season. In the meantime a careful study of the laws and supervision of insurance in England suggested the substitution of a bill, which, in general terms, provided that the Insurance Commissioner shall see to it that the companies conduct their business in a manner not contrary to the public interest, and deal fairly and equitably with their policyholders, and that only fit and proper persons shall be licensed as the agents for such companies. Such, practically, is the insurance law of South Carolina, especially in respect to agents of insurance companies.

Your pardon is asked for a digression from the main subject to illustrate the workings of that law.

Relying upon the revelations of the Armstrong committee the Insurance Commissioner feels justified in ruling against deferred dividend policies of longer periods than five years.

In like manner he has justification for approving the standard fire policy of New York or of Massachusetts, or of others of more liberal conditions than these, but not of others more restricted. Should this convention determine that certain provisions in either of the standard forms of policy were not fair and equitable under present conditions, the Insurance Commissioner of South Carolina could expect to be sustained by the courts in requiring the elimination of the proscribed provisions without any legislative action.

It is reliance upon such support, that causes the Insurance Commissioner of South Carolina to require that health and accident policies shall contain the provisions and prohibitions declared to be proper by this convention.

So, in many other matters, the reasoning and united wisdom of this body has been followed, with satisfaction to the people, and acquiescence by the companies.

Permit me to say that I can imagine no system which will work out uniformity better throughout the United States than that indicated herein.

Should this convention adopt a code of qualifications for agents it is likely that such a code would be enforced in South Carolina forthwith. In the absence of such an authority the Insurance Commissioner must set up his own standard. It is that an agent must be intelligent and honest and have a fair conception of the duties he is to assume both to the company and to the public. He, of course, must be fully acquainted with such particular laws as the valued policy law in respect to fire insurance, and the anti-rebate law in respect to life insurance.

Before he is licensed he is required to furnish references, and a set of questions are submitted to him for satisfactory answers. An applicant for a fire insurance agency is required to explain co-insurance, the three-quarter value clauses, and to interpret the valued policy law.

While the Insurance Commissioner is in no sense a collecting agent, he takes the position that a person who does not settle balances with one company is not likely to be a fit and proper person to be an agent for another company, and an examination is made into all such matters with helpful results.

From year to year the standard set for agents is advanced, here a little and there a little. Vicious, irresponsible and incompetent agents are being eliminated, and it is believed that the public and the companies are being benefited.

SUMMARY OF STATE LAW OF VIRGINIA IN RESPECT TO THE SUPERVISORY CONTROL OF AGENTS.

By Hon. Malvern Hill, Chief Clerk, Insurance Department of Virginia.

The legislature of Virginia, session 1908, passed the following bill, which was approved March 12, 1908, and became a law ninety days thereafter:

"Every insurance company, except fraternal beneficiary associations, orders or societies, doing business in this State shall file annually with the Commissioner of Insurance on or before the first day of July, and at such other times as they may be appointed, a list of the agents of said company authorized to solicit insurance for it in the State of Virginia, and each such agent shall be required to secure a certificate of registration from said Commissioner of Insurance, for each company proposed to be represented by him, authorizing him to represent said company for a period ending on the 15th day of July of each year, the fee for said registration shall be one dollar per annum: Provided, That the Commissioner of Insurance may, for good cause, refuse to register such agent or may at any time that it may come to his knowledge that any agent has misappropriated any premium entrusted to him, or has failed to apply said premium as directed by the policyholder or prospective policyholder, may revoke or suspend the certificate of registration of said agent. The Commissioner of Insurance may summons witnesses against any agent accused of wrong-doing, and any registered agent may have a hearing before the Commissioner of Insurance on any charge brought against him and may introduce evidence in his behalf: Provided, That if the Commissioner of Insurance revokes or suspends the certificate of registration of any agent, then such agent can, as a matter of right, appeal from such decision to the State Corporation Commission, and such appeal shall be informal and heard at once.

"The certificate of registration shall state the date on which it was issued, the name of the agent, and his address, and the name of the company represented by him, and shall extend only to the individual mentioned in it, and not to any clerk or employee of said agent.

"Any person soliciting or procuring application for any insurance company authorized to do business in this State without having first procured a certificate of registration as hereinbefore prescribed shall be subject to a fine of not less than ten dollars nor more than one hundred dollars."

Prior to the passage of the above law, some insurance agents would misrepresent policies, collect premiums which they failed to turn in to the company, and when checked up would secure the agency for another company and twist policies whenever possible.

Since the above law went into effect such agents have realized that to continue their old practice would mean the revocation of their license, which would **ipso facto** carry with it the revocation of their license for any other companies they might be representing, and they would be compelled to engage thereafter in some other line of work.

Some companies have availed themselves of this law, and have filed complaints against their agents on account of not remitting premiums, and in most instances the agents have made prompt settlement upon receipt of notice from the department that complaint had been filed.

Where charges of twisting business have been filed, the matter has been investigated and the agent warned that if such practice was continued it would result in the revocation of his license.

Agents throughout the State are fully acquainted with the law, and it is now very seldom the department is called upon to hear any charges against agents.

This law has been the means not only of protecting the insuring public and the companies, but has raised the standard of the field force throughout the whole State.

SUPERVISORY CONTROL OF AGENTS UNDER WEST VIRGINIA INSURANCE LAWS.

By Hon. J. S. Darst, Ex-official Insurance Commissioner of West Virginia.

At the last session of our legislature the recommendations of the national convention of Insurance Commissioners in regard to rebating, misrepresentation and twisting were adopted, with a few minor changes.

The Insurance Commissioner was also given discretionary powers in issuing and revoking agents' licenses by the following provision:

"No person shall act in the solicitation or procurement of applicants for, or policies of, insurance for any company referred to in this chapter, except as solicitor under Section 15c of this law without first procuring a certificate of authority as agent from the Insurance Commissioner, which certificate shall be renewable on the first day of March in each year; and said Insurance Commissioner shall not issue such certificate of authority to any person whom he finds not trustworthy and competent to transact the business for authority to do which application is made; and, on conviction of any person acting as such agent, of the violation of any provision of this law, the Insurance Commissioner shall forthwith revoke the certificate of authority issued to him, and no certificate shall be thereafter issued to such convicted person, until one year from the date of conviction.

"Whenever the Insurance Commissioner, upon investigation, is satisfied that any agent acting under his supervision and holding a certificate of authority from him is violating or has violated the insurance laws of West Virginia, or that he is incompetent or untrustworthy, or whenever he shall proceed to revoke a certificate or license of such agent under any section of this law, he shall first notify such agent of his findings, and state in writing the complaint against him and require such person on a date named, which date shall not be less than thirty days after service of notice to show cause why his license should not be revoked.

"If, on the date named in said notice, the said agent does not present good and sufficient reasons why his authority to transact business in this State should not be revoked, the said Commissioner may revoke such person's certificate of authority. All decisions and findings of the Insurance Commissioner made under the provisions of this section shall be reviewable by proper proceedings in any court of competent jurisdiction within this State: Provided, however, That nothing contained in this section shall be taken or construed as preventing any such agent from doing business under the authority of such certificate during the pendency of any pro-

ceeding taken to review an adverse decision of the Insurance Commissioner."

Local agents of companies other than life may appoint not more than two solicitors, who represent the local agent and are given a certificate by the Insurance Commissioner showing his authority to solicit for the local agent as the representative of his various companies. It will be noted that only those licensed as local agent or solicitor have authority to act in the placing of insurance.

I am well satisfied with these laws concerning agents. Before the last legislature the Insurance Commissioner had no discretionary powers as to the appointment of agents, and the only case in which he could revoke a license was for rebating by a life insurance agent.

The present law gives the Commissioner sufficient authority to set standard of fitness for agents and to revoke licenses for overinsuring, carelessness, dishonesty and the numberless other bad practices that may arise, but with a proper curb on his authority in the form of an appeal to the courts.

The fact that the Insurance Commissioner has such authority is in itself of great value, because it places each agent in the position of having his acts subject to supervision with a resulting incentive to proper conduct.

FIRE INSURANCE.

INSURANCE EDUCATION.

By Hon. J. A. O. Preus, Insurance Commissioner of Minnesota.

The supervising officials of the various States have assembled here to devise ways and means of advancing the interests of the public insurancewise. That the greatest wrong in the name of insurance is done through ignorance there can be no doubt. A lack of general understanding of the science of making rates based upon mortality is disheartening to the public-spirited fraternalists who are endeavoring to save the fraternal insurance system from destruction. Ignorance is responsible for the mass of half-baked and unwise fire insurance legislation, which is righting but few of the existing wrongs, burdening the public and discouraging honest investments. Ignorance alone makes our people tolerant of the policies issued and methods used by some health and accident companies, when most of them are valiantly endeavoring to raise the standards of this business.

A general knowledge on the part of the public of the underlying principles of insurance, while no panacea for all insurance ills, would stop the disseminating of life contracts under the guise of fraternal insurance that are only part life contracts, would remove from the demagogue his road to personal political aggrandizement over the remains of fire insurance companies, and would tend to abate the sale of limited and worthless health and accident policies, which give rise to questionable adjustment.

CLASSIFICATION OF INSURANCE.

Insurance may most naturally be divided into insurance to property and insurance to persons, but for practical purposes, and not to be too minute, let us divide the field into:

1. Fire.
2. Casualty.
3. Life.

Education in or knowledge of insurance in each of the above branches may also be divided into:

1. Professional.
2. Technical.
3. Collegiate.
4. Popular.

PROFESSIONAL KNOWLEDGE OF INSURANCE.

There were in 1910, 91,972,266 people in the United States. It may be estimated that there were that year 400,000 persons engaged as agents in the fire, 140,000 in the general casualty and 135,000 in the life insurance business. Approximately three-sevenths of 1 per cent. of our population engaged in fire insurance business; one-seventh of 1 per cent. of our population engaged in casualty business and less than one-seventh of 1 per cent. of our population engaged in life insurance business. There were in that same year 254 companies doing a fire and marine insurance business, 742 doing a life business, including fraternals, and 101 other insurance companies, except mutuals, licensed to do business in the United States. It has been estimated that these 1,097 companies employ 200,000 persons other than agents. Therefore, we may estimate that approximately 900,000 individuals, or approximately 1 per cent. of the American population, has a professional knowledge of insurance in one form or another.

Having been conservative in these figures, let us assume that these 900,000 people are devoting themselves in a professional way to the insurance business. This is the insurance leaven that we have in this country. The nucleus embraces the promoters, the organizers, the managers, the actuaries, the producers and furnishes the insurance thought, if you please. Unaided by any government, or by schools, the insurance business has grown to enormous proportions. On December 31, 1912, according to The Western Underwriter, $839,427,190 constituted the total assets of fire and marine insurance companies doing business in the United States. The different kinds of casualty companies had assets of $361,000,000. The legal reserve and assessment life companies, $4,404,744,039, and the fraternals reporting to insurance departments, $160,241,000.

The general knowledge of insurance on the part of the officers of the different kinds of insurance companies can but be commended. Since the year 1887, no policyholder in a legal reserve life insurance company in the United States has been exposed to a loss on account of the insolvency of such an institution.

The managers of fraternal societies have become so familiar with the laws of mortality and methods of making life insurance rates that few will stultify themselves by opposing legislation which will compel fraternal orders to charge adequate rates to enable them to meet the obligations resulting from the death of their members.

Hundreds of examinations of insurance companies are made by our departments from year to year and criticisms of investments, methods of management, or underwriting of any class of companies are becoming so infrequent as to enable those engaged in the insurance business to point with pride upon the institution which is so thoroughly American—insurance.

The fairness of fire insurance companies in the adjustment of claims is proverbial.

The uniform liberality with which life insurance companies treat policyholders is worthy of our admiration.

The methods still occasionally used by some health and accident companies in their settlements of claims are most reprehensible, and surely in certain instances are the immediate result of moral turpitude and willingness of adjusters to derive profit for their companies or themselves by wanton bickering with ignorant policyholders or by taking advantage of an injured and possibly helpless individual. But in all fairness to this great business, so necessary in our social development, it must be said that in no field of insurance is the path for the imposter—the policyholder who desires by fraud to benefit himself—so strewn with roses. And so far as I am concerned, I have yet to find a company of this class which has not at all times stood ready to rectify a wrong inflicted upon a policyholder by a mistaken adjuster.

While everyone gladly commends the knowledge of insurance possessed by company officials, still there is a class of men engaged in the insurance business with which we in the discussion of insurance education are more immediately concerned, the agent.

Fire Insurance Agents.

Not long ago a bachelor acquaintance of mine asked me if such and such a fire insurance agent would not be a good man for him to patronize. I offered no objection, and he did so. This gentleman had a number of oil paintings, considerable jewelry and curiosities, and a valuable library in his home. His furniture was the old hereditary mahogany kind, worth possibly $800. Some time later he showed me his policy, which was in the sum of $3,000. The Minnesota standard policy specifically exempts the insurance company from liability for loss on oil paintings, jewelry, curiosities or books, unless especially mentioned in the policy. He had $800 of protection on his property, while believing that he had $3,000. The reason was that the agent did not have adequate knowledge of the fire insurance business. He had not properly described the property insured under the policy. If you want to shoe my horse, you must first take an examination before the proper State board. If you want to shave me, the barbers' board will first examine you. If you want to sell a pair of glasses to a nearsighted old lady, the State board of optometry will first examine you; but if you wish to sell me an insurance policy in the sum of $3,000, you may cover $800 worth of my property and take my premiums, and you may continue to "misrepresent" some insurance company in the future.

The fire insurance business is a most commercialized business. The local agent has no immediate point of contact with the home office. His only instructor in the business of insurance is the special or State agent, as he is frequently called. The special agent, though usually very well versed in insurance, has a large field to

cover and cannot give the instruction necessary to properly equip his local agents.

Surely every local agent should be required to know what the standard fire policy contains; he ought to know something of the history and why this or that provision is contained or not contained in the policy. If the standard policy does not cover the risk, he should be sufficiently familiar with the riders and permits that may legally be attached to furnish the assured with the protection he desires. Nearly all forms and riders, as well as the standard policy itself, are based upon sound underwriting principles. A great many local agents have not familiarized themselves with the contents of the standard policy, nor do they know what these forms are, much less how or why they have come in existence.

In some of our Western States co-insurance plays no part in underwriting, because the legislatures from time to time have said that it was unwise to permit the insertion of the co-insurance clause, even though of financial benefit to the assured, for the reason that he does not understand what co-insurance is, nor does the agent, and misrepresentations and misunderstandings are the results.

The agent is usually the insurance company so far as the assured is concerned. The policyholder nearly always knows the agent with whom he does his business, but quite frequently he is unfamiliar with the company that is carrying the risk. The ordinary insurer relies upon the agent that his risk shall be covered, that the company is in good financial condition, and that the policy will be properly executed. An agent who is not qualified should not be permitted to engage in the business, primarily, because he is a burden upon society, and secondarily, because he lowers the standard of the fire insurance profession, and takes away from the worthy agent that to which he is justly entitled.

Health and Accident Agents.

The average person engaged in the solicitation of health and accident insurance is adequately equipped for his vocation. The chief criticism that can be made of this class of agents is that too many of them have a predeliction for handling truth recklessly. You might say that the first prerequisite to entering this field should be honesty. While there still are health and accident contracts on the market, which appear to contemplate the dual purpose of obtaining from the policyholder a small premium and of foreclosing against him any possibility of recovery against the company, nevertheless the companies generally, we all admit, aim to issue contracts that are both liberal and fair. Again, the condition is found that the health and accident business is highly commercialized and the agents are not in immediate or close contact with the company. Health and accident policies are constantly being sold upon misrepresentation on the part of agents, some through ignorance, others wilfully. If the agent were well informed as to the contents of the policy which he is selling and of the reasons pro and con for the existence of the different provisions, modifications and limitations in the policy, and conscientiously explained these conditions to his prospect, there can be no doubt but what his own livelihood would be upon a more stable basis and his business be more remunerative to him. Unfortunately the correct explanation as to the contents of a policy only too frequently becomes known to a policyholder when the adjuster's call becomes necessary.

Again, the agent should, just as a life insurance agent, endeavor to study the conditions of his prospect, and then be possessed of the moral suasion necessary to induce his prospect to purchase the policy best suited to his conditions.

Life Insurance Agents.

If you build a home, and when it is finished you employ a decorator who paints the parlor ceiling red, the walls green, and advises you to lay a pink rug on the floor, you conclude that he is not a good decorator. He has failed to recognize the phenomenon of proper co-ordination in colors. If an insurance agent persuades you, a retiring Insurance Commissioner with a family of respectable size, with little or nothing saved during your administration, and with no certain prospects of a regular income, to purchase a $50,000 endowment policy, you soon discover that the agent and you had failed to co-ordinate your insurance to the conditions of the average retiring Insurance Commissioner. If you purchase a shirt and a collar at a toggery shop and you find that the collar is smaller than the shirt, you fail to patronize this same toggery shop again. The collar was a misfit. If an agent sell a $5,000 ten-payment life insurance policy to a bank clerk, with a family and a salary of $80 a month, he has sold a policy that is a misfit. Life insurance may and should be co-ordinate with all of the conditions of the prospect.

The average agent studies the policies which he sells, be studies the needs of his prospect, he instructs him in the merits of insurance and in the kind of insurance which he should carry. He seeks to gain his confidence and endeavors to persuade him to purchase the insurance which will serve him best. To pass by the life insurance agent without a word of commendation would be grossly unjust. While many agents measure the needs of their prospects by the size of their pocketbooks, nevertheless, the advances made by the agent in the past twenty years entitle him to be classed as a professional man, like a minister of the gospel, a lawyer or a doctor, engaged in his vocation, not only for the remuneration which it brings to him, but for the love which he has for it and the service which he feels he is rendering the public.

TECHNICAL EDUCATION IN INSURANCE.

There are at this time more than thirty different kinds of insurance being written in the United States. We have considered the general education through experience which individuals secure by the ordinary training obtained in the insurance business. All insurance, however, is founded upon what may be termed the science of probabilities. An adequate knowledge of this science is obtained only through technical instruction or training. The instruction necessary for equipping students for actuarial work has up to date been given largely in the school of experience. The departments of commerce and finance, recently established in several universities, and about to be introduced in others, will no doubt in the future offer opportunities for students to obtain a good foundation for this vocation. One of the most notable proofs of this fact is found at the University of Michigan, where insurance instruction has been afforded with considerable success for a number of years.

The technical education in insurance must, however, not be confined wholly to life insurance. Expert knowledge in engineering, fire prevention and the making of schedule rates are embraced

in the technical knowledge necessary for a large class of individuals engaged directly or indirectly in the fire insurance business. For a thorough catalogue of instruction afforded in technical training in insurance, I would refer you to an excellent address delivered by Mr. Henry Moier on the subject of insurance education in Europe, before the Association of Life Insurance Presidents, in 1910.

I am passing rapidly over the subject of technical instruction in insurance, but in passing, your attention is called to what should be termed instruction in insurance in our schools, but which unfortunately may almost be confined to instruction in colleges.

COLLEGE EDUCATION IN INSURANCE.

Until immediately before leaving home, I was unable to secure a complete catalogue of the instruction now being offered in the various colleges in the United States in insurance. I will, therefore, refer to the compilation made by Hon. Robert Lynn Cox, general counsel and manager of the Association of Life Insurance Presidents, as disclosed in his replete address entitled "Nature and Extent of Life Insurance Instruction in College and Universities," delivered at the fourth annual meeting of the Association of Life Insurance Presidents in 1910. He found that of the 588 colleges and universities in this country, 263 institutions, having a student body of 192,000, or 60 per cent. of those matriculating in the 588 colleges, were treating the subject of life insurance. The instruction given in these institutions, generally speaking, is as frequently offered for, and taken for cultural, as practical purposes. More than two-thirds of this instruction is given in connection with courses is sociology or economics, and rarely of the courses, so far as ascertainable, can it be said that the purpose of the instruction given is to teach the student how to select and how to purchase insurance for his own needs. The instructions afforded, when not in insurance law, usually are historic in their nature, of brief duration, but with the very redeeming feature that policy contracts of the different kinds of insurance are perused by the students. The courses of lecture have as yet not become popular, and a negligible number of students embrace the opportunity offered. The first independent course in life insurance in an American college appears to have originated at Harvard College in about the year 1897. There are now over thirty universities and colleges having similar special life insurance courses. I have, however, been unable to find that the purpose of any of these courses is specifically to prepare students for agency work, where such an unlimited field is open to college men. Some courses, however, must be regarded as exceedingly practical, in that they aim to instruct students in the mannner of soliciting insurance intelligently.

Underwriters' associations, insurance institutes, a few high schools, and Young Men's Christian Associations, furnish a nearer approach to the instruction which I desire to plead for upon this occasion.

At the Young Men's Christian Association in Philadelphia, instruction in life insurance has been given in the evenings. With the growing facilities of these associations, and with the marked increased membership and influence in our country, too much cannot be done to encourage the instruction of insurance in these associations. Insurance institutes patterned after the European institutes, if generally organized in the larger cities in the United States, would no doubt have a strong tendency to raise the stand-

ard of efficiency among those engaged in insurance and of spreading general knowledge of insurance.

The American Life Underwriters' Association is conducting a campaign of publicity, and it is the purpose not only to increase the efficiency of agents, but to be mindful of the public's interest in the subject. I quote from an address delivered by Mr. Warren M. Horner, Chairman of the Committee on Publicity and Education, as to the purpose of the association with regard to policyholders:

> "It is not right and it is not necessary that there should be a widespread lack of understanding and aloofness with respect to an institution of such untold economic and beneficent value as life insurance."

POPULAR EDUCATION IN INSURANCE.

It has been called to your attention that approximately 1 per cent. of our population is engaged in the insurance business. It has been my endeavor to lay before you the extent of the knowledge which those engaged in insurance have of their business, also to give you a general survey of insurance education as now in existence in the United States. What relativity of knowledge is there between the financial interest which the public has in insurance and the knowledge which the public has of insurance? Every man, woman and child in this country has an interest directly or indirectly in one or more kinds of insurance, and if he has not it is a disgrace upon him or some one else.

I venture the assertion, without fear of contradiction, that if every person who insures his property would read his policy, together with the riders and permits attached thereto, that misunderstanding as to coverage, co-insurance, concurrent insurance and warranties would be practically eliminated.

I declare that if every purchaser of a health and accident policy would peruse the contents of his contract, the health and accident business would be on as high a level as every other branch of the insurance business.

I dare say that if every individual insuring his life would read his policy, know the privileges that it extends and the benefits which it affords, he would become interested in life insurance and measure in dollars and cents the amount and kind that he should carry.

Fire Insurance.

Fire insurance is called the hand-maid of commerce and it is no misnomer. It is fundamental in our credit system and is the alleviator of the individual who is visited by misfortune. That fire insurance is being conducted upon a high plane cannot be questioned, but at this particular time the methods of combination of companies is a popular subject of discussion from one end of the country to the other. The question of the making of fire insurance rates by schedule is becoming generally accepted as scientific and equitable. What the standard of charge for protection by insurance companies upon property shall be, and by whom the standard shall be fixed, is the question which is occupying the public mind. That it has not been wisely or properly determined in any State is clear to every one. Combination of any kind, without supervision, is offensive to the American people, whether it be in the people's interest or not. That the public will insist upon competition, or some kind of State supervision in the making of

rates, is certain. That the former is impossible is no doubt the opinion of each one of you. As to the extent or method of rate supervision, there are as many opinions as there are minds. It is a fair question, would the public and the interests of the insurance companies not be more fairly and more wisely conserved, if the public had a greater knowledge of insurance?

In the State of Minnesota, previous to this year, a co-insurance clause could not be inserted into a policy, unless the assured had property to be insured valued at not less than $20,000. A statute discriminating in favor of the rich and against the poor! A statute having no argument in its favor, but the ignorance of our people! A statute prohibiting that which should be the very foundation of fire underwriting—the maintenance of proper relation between the value insured and the protection carried.

If you will permit the interjection of my experience before the legislature, in regard to this measure, I will relate that. I drafted an amendment to the law, eliminating the $20,000 limitation. It was introduced in the legislature, looked upon with disfavor; a compromise was made, reducing the limitation to $5,000. Not one voice was raised against the propriety of the amendment which was originally offered, but men were on the insurance committee who related the experience which they or their clients had had in regard to the co-insurance clause, when it had been inserted in policies, either without the knowledge of the assured, or with a misunderstanding on the part of the assured as to the meaning of the clause, and, although every member of the committee fully realized the merits of the amendment, the compromise referred to was agreed upon and the committee made the request that at the next session of the legislature, I again bring the matter before it, and if no serious complaints are in the meantime presented in regard to the abuse of the co-insurance clause, the limitation would be completely eliminated. I am glad to relate that no complaint has since reached the department, and it speaks well for the manner in which insurance companies and agents are treating our policyholders. I ask you, and it is a fair question, would the people of Minnesota, if they had some knowledge of fire insurance, not be more inclined to place a statute upon the books, making co-insurance compulsory, rather than prohibitory?

Casualty Insurance.

Health and accident insurance is the poor man's insurance. It has well been termed bread and butter insurance. It is the insurance which should support the working man, whether under a policy carried by himself, or by his employer, to keep the wolf from the door in the event that he is incapacitated for work. Will any one assert that a proper understanding, inculcated in the mind of the working man during childhood through the instrumentality of the public school as to the merits of health and accident insurance, would not greatly increase this business and benefit the public?

Life Insurance.

What nobler institution than one which protects the widows and orphans from poverty and need? It needs no defender for its existence; it needs no advocate for its virtue. Every good citizen, who understands insurance, will purchase it to the same extent that his dependents require, and his resources allow. A

knowledge of life insurance and the realization of one's moral obligations is its source of maintenance. There is today life insurance in force in the United States as follows:

Legal reserve	$19,279,227,964
Assessment life	1,253,893,554
Fraternal orders	8,490,211,038
A total of life insurance of	$29,023,332,556

Or $315.56 per capita. If we assume that every fifth person is a provider, his dependents or family are protected in the sum of $1,577.80. That this amount is far from commensurate with the value of a person's life to those dependent upon him is manifest to the most casual observer. If there were a proper understanding of the merits of insurance as well as the proper feeling of obligation on the part of every provider, there can be no doubt but what the average insurance of the provider in the United States would be anywhere from four to ten times as great as at the present time. If children's minds were inculcated with understanding of insurance as well as the moral obligation resting upon persons who carry life insurance, such additional amount of insurance could very easily be carried, even by laboring men, because they would have taken out insurance at such an age of life that the premium would be very small. It is estimated that the value of American lives is approximately $350,000,000,000. This life value is only redeemable to an extent of less than 30,000,000,000, by insurance. It can, therefore, be very easily discerned that a general diffusion of life insurance knowledge would necessarily have the result of increasing the amount of life insurance carried, and for this reason I have no doubt but what we would have the hearty co-operation of all insurance companies and agents in a propaganda to instruct children in life insurance.

There are today fifty-seven fraternal orders licensed to do an insurance business in the State of Minnesota; of these, thirty-two are charging such rates that it is expected that no future readjustment of rates will be necessary to insure the permanency of these institutions. Most of our fraternalists in the United States are honestly and energetically endeavoring by legislation and otherwise to obtain action on the part of all fraternal orders to charge such rates that future readjustments and the hardships consequent thereto may not be perpetuated in the evolution of our land. If the child in school were taught but a few fundamentals, in regard to tables of mortality, how could legislation of this character ever be defeated?

Conclusion.

The insurance business in the United States is entering upon a crisis. State hail insurance is in force in North Dakota. Wisconsin and Massachusetts are engaged in State life insurance. Ohio has compulsory State employers' liability insurance. This is but the beginning. Socialism first wends its ways into a commonwealth through the organization and operation by the government of those private enterprises which are non-producers of wealth, and which are but the media of exchange, or evidences of wealth, such as banking institutions and insurance companies. How rapidly this tendency will progress, or how far the American people will go in the substitution of State for private control of these institutions, no one can foresee. Whatever the future may bring, popular instruction in every kind of insurance is elemental, for it is the

knowledge and judgment of the masses which will ultimately determine the destinies and future of this great business.

The different classes of insurance companies have organized bureaus of publicity and education. When properly conducted, these are most commendable undertakings on the part of the companies. These bureaus should not be content with raising the standards of efficiency and thought in the insurance fraternity or with defeating legislation inimical to insurance interests, or securing legislation which to them appears progressive, but they should extend their activities to educating the public so far as it may lie in their power. That we, fellow commissioners, will have their hearty support in a movement for popular education in insurance, I have no doubt. The most effective campaign for popular education in insurance is doubtless the one indirectly but so magnificently conducted for the instruction of fire prevention in our public schools.

Instruction in insurance cannot be commenced too soon, nor can it be given to any one at too early an age in life. It is my sincere hope that this convention, after action has been taken by the Committee on Conservation and Publicity, which was appointed pursuant to a resolution introduced in our convention in 1911 by the learned Commissioner, Willard Done, of Utah, will make a definite recommendation to the effect that legislation be passed in the various States making the instruction in insurance compulsory in our public schools. The instruction given in insurance in universities, insurance institutes, high schools, Young Men's Christian Associations, by underwriters' associations and whatever other organizations there may be, is most commendable, but education in the public schools will be the more effective.

Instruction in our public schools in fire insurance will go hand in hand with instruction in fire prevention, and will bring about a more general understanding of the science of underwriting, rating and salesmanship. A general knowledge of fire insurance will raise the efficiency of the companies' personnel, and will convince the insuring public of the wisdom of carrying fire insurance.

Instruction in health and accident insurance in our public schools will result in the elimination of questionable practices, the enforced honesty and discretion of the agent, and the appreciation of the economical necessity of bread and butter insurance.

Instruction in life insurance in our public schools will but add to the efficiency of those employed in the home offices of companies, in a realization of the agents of the opportunities of their profession, in the understanding of the moral obligation and necessity of selection on the part of the public.

Instruction in insurance in our public schools will result in wiser legislation than that which tends to place legitimate private institutions in the hands of the State.

The citizen who most needs fire, life or health and accident insurance is the man who has but little property and small income, and comparatively large obligations. This citizen is usually the man who has not had the advantage of more than a public school training. If he is the individual most in need of insurance, ought he not to be the man who should be most diligently and uniformly taught as to the merits and virtues of insurance? Within my own memory the study of physiology and hygiene was introduced in our public school system. Is not the next natural step after the introduction of instruction in the methods of self-preservation, the preservation and happiness of those dependent upon one?

I urge upon you in all earnestness that it is our duty, fellow

Commissioners, to bring about a more general knowledge and understanding of insurance, and it is my sincere conviction that the education of the child will be the most effective and result in the greatest benefits to our people.

UNDERWRITERS' AGENCIES.

By Hon. Joseph Button, Insurance Commissioner of Virginia.

Of the fire insurance problems that demand the attention of State officers at this time few are more pressing than that of the Underwriters' Agencies; few menaces to the business have progressed so far and with such disastrous results without State regulation. Especially is this problem important at this time, when the failure of companies through the liability assumed on underwriters' policies and the action of one of our greatest companies in unwillingly forming such agencies have focused attention on the subject.

In its origin, the underwriters' agency was a permissible, if not, indeed, a desirable part of the fire insurance business. When new territory was opened up and companies desired to do business there for the first time, they were naturally without satisfactory hazard figures. None had been before them to ascertain just what losses they might anticipate and just where these losses were most apt to occur. In the circumstances, nothing was more natural than that the companies join hands for the time being and agree to divide among themselves such losses as might occur. Then, too, in entering new territory the companies were confronted with the tremendous initial expense of opening new offices, advertising, investigating risks, etc. This made a union of agents as desirable as a union of companies and led to the very simple expedient of an underwriters' agency which would issue the policy in its own name, with the guarantee of all the interested companies. At no time during the early years of underwriters' agencies was this agreement expected to be permanent or to serve any other purpose than those of reducing individual company liability and office expense.

But as business grew and new movements were afoot in the insurance industry, the underwriters' agency came to serve two other and far less commendable purposes. The first of these was to afford an easy means of evading the single-agency provision upon which many field representatives laid great emphasis. For very obvious reasons, the company operating in a given field wishes to limit the number of its agents as far as possible, provided, of course, that these agents will produce the maximum amount of business. But where an agent held the exclusive right to a territory and did not get all the business his company thought should be forthcoming, and was withal too valuable a man to lose, the underwriters' agency offered a handy solution of the problem. By permitting such an agency to use the guarantee of the company, more business would be forthcoming and yet technically the company would not abandon the principle of single agencies.

The other factor in the development of the underwriters' agency was the mad rush for business—that curse which has followed the growth of the insurance business in every field. New business, well placed, meant larger returns; underwriters' agencies meant more business with minimum liability—the consequence was inevitable. Companies which were writing all the business they could safely carry first guaranteed business with another company and

then boldly assumed new risks on their own solitary guarantee, with the mere stenciled name of some underwriters' agency between them and liability.

Leaving out of consideration the moral question as to whether or not a company has the authority to employ an underwriters' agency where it pretends to have a single direct agency, the underwriters agency became a direct menace to the insurance business when it led companies into the assumption of larger risks than they could possibly carry with safety. Indeed, I am willing to admit that the underwriters' agency was perhaps a necessity in the development of new territory; but I am as firmly convinced that in its later growth these agencies are a positive danger and an unmitigated nuisance in business. They offer a ready subterfuge for excessive liability, they confuse the business, they are apt to deceive the public and are in every sense of the word illegal anomalies. That such is the case and that the insured may lose you will agree if you will reflect on the recent downfall of a well known Eastern company. This concern last fall wrote all the business it could possibly digest with due regard for the law and the safety of its insured, and, in addition, was the sole guarantor of an underwriters' agency which wrote more business than the company itself. Bankruptcy followed as a matter of course.

Sworn as we are to represent the States and through them the people of the States who constitute the policyholders in these companies, I think there is a very solemn duty resting upon us to recommend laws and regulations which will make impossible a repetition of the tragedy by correcting the evil at the source. I should hold us recreant if, seeing the danger that these agencies constitute, we should fail to obviate it.

Three plans have been suggested to correct the evil of the underwriters' agency, and these, with your permission, I shall consider in order. The first is to make underwriters agencies incorporate as companies under our regular insurance laws. This would, of course, end the danger to the policyholder were it possible to incorporate them without abrogating the policies now outstanding. But we are confronted with the simple fact that precisely speaking we have nothing to incorporate. What is the underwriters' agency? Assets and taxable shares or stock? Tangible values which can be utilized to protect the policyholder? None of these, but merely a name, backstood by companies which carry all the business they can and conform to the laws of the States in which they operate. If we want to put an end to the underwriters' agency, then we can do so by requiring the underwriters to incorporate, but this is merely saying that we propose to end these agencies by the creation of new companies. This does not seem to me the shortest or the most desirable means to the coveted end.

The second expedient proposed is that of requiring every underwriters' policy to be guaranteed by two or more companies. But here there are certain very plain obstacles. Granted that the guarantor companies are solvent and will not write more business than they can digest, including the business written by the underwriters, we can by this course protect the policyholder. But we have not touched the multiple agency feature of the problem and we have but made additional trouble for ourselves in that we have made our task longer. Suppose, for instance, that we recommend and procure the adoption of a law requiring that every underwriters' agency have its policies guaranteed by two companies. Does it not follow that this protection of the policyholder is more nominal than real unless we are prepared to check at regular intervals the business

of the parent companies and the underwriters' agency to see that all are within the limit of secured liability? As I see it, the adoption of this principle would mean, in effect, the approval of the principle involved and the virtual guarantee of the State that the underwriters' policy is ample protection. For my part, I should hesitate to approve an underwriters' agency on such conditions.

The third expedient is the one that appeals to me. This is to make no bones of our purpose and to resort to no subterfuge, but rather to procure the enactment of a law which will require that all risks assumed by a company be taken in its own name and evidenced by its own proper policy. A few words written in our insurance laws would place this prohibition on our statute books and would end for ever the existence of these concerns. By such a course, we do what we should do in every case; assure the policyholder the guarantee of a company whose affairs we investigate. We give him no sense of false security and place in his hands no secondary obligation. We rather give him a policy signed by the officers of a given company as such and pledging the assets of that company to the liquidation of its claims. It is the simplest, shortest and surest solution of the problem.

To my mind the advantage of this policy far outweigh its disadvantages; we make paper security impossible, we have to go no further than the books of any company to ascertain whether or not it is assuming more business, we give the policyholder the fullest security that the State can offer and we make impossible the juggling of risks. I submit these suggestions for your consideration in the belief that united action will end what threatens to become a positive scandal to the fire insurance business, a genuine menace to the security of contracts.

WORKMEN'S COMPENSATION.

WORKMEN'S COMPENSATION IN CONNECTICUT.

By Hon. Burton Mansfield, Insurance Commissioner of Connecticut.

Much of the time of the General Assembly of 1911 was occupied with the consideration of workmen's compensation, numerous bills being presented, with the result that an act recommended by the joint committee on Judiciary and Labor, although passed by the Senate, was defeated in the House. Growing out of the agitation at that time, a resolution was passed by the General Assembly authorizing the Governor to appoint a commission of three persons, whose duty it should be "to investigate and report to the General Assembly of 1913 upon the legality, advisability and practicability of establishing a State Insurance Department, or other form of State Insurance, as a means of providing compensation for workmen and others injured through accidents occurring in industrial occupations." Said commission was further authorized to investigate and report as to the advisability of a compensation act based upon the taxing power of the State, and any other legislation connected with the subject, as should be practical and wise. It was also to recommend, if it should so desire, the draft of an act which it should deem necessary to carry its recommendations into effect, together with an outline of any plan or plans for the establishment of a Workmen's Compensation Department. Said commission was to serve

without pay, but had power to employ necessary assistance. This commission, consisting of a prominent attorney, a well known manufacturer and the Insurance Commissioner, held public hearings at various places in the State and consulted with representatives of all interests, including labor unions and workmen generally, the manufacturers, and others known to be experts on this particular subject.

The commission reported to the General Assembly of 1913 a proposed act in accordance with the instructions given it in 1911. Other acts of a similar kind were also presented by the labor unions of the State by the Manufacturers' Association and by several private individuals. The result was that the General Assembly of 1913 again thoroughly considered the matter, through its joint committee on Judiciary and Labor, and passed an act establishing workmen's compensation. This act, while it contained many of the recommendations of the commission to which I have referred, also contained many features not in the commission bill. To illustrate: some acts proportion the loss to each particular injury, independent of the extent to which it interferes with earning capacity. In New Jersey and many of the other States, compensation is proportioned to each particular loss all the way from a leg down to a great toe, independent of the occupation of the person injured. It is perfectly evident that while this may furnish an easy method of reckoning, it does not supply any actual rule of compensation. The loss of a leg, for instance, or even a foot, might be equivalent to a total loss of earning capacity for life for one employee, whereas it might result in comparatively little loss to another. The commission bill, following the English method, thought that the earning capacity was a better guide than the one which was adopted, and which proportions the compensation to each particular loss.

Again, the commission bill did not provide for medical attendance during the two weeks' waiting period. The reason they did not do this was because it appeared to them, and the opinion was supported by reliable expert authority, that the self-interest of the employer would be sufficient to induce him to see that such attendance was supplied. The bill, however, as passed, specifically provides for medical attendance. The final bill was a compromise in which all interests were represented, and was finally framed by Professor Fisher, of Middletown, by the agreement of all parties, and as framed by him passed.

This demand in the State of Connecticut is, of course, part of the general movement throughout the civilized countries of the world, which commenced in Europe, and resulted there in the passage of acts by most of the nations of that continent. The movement in the United States has been more recent, as substantially all the legislation on the subject dates from within the last five years. During this period nineteen States have actually passed laws on the subject, and they are now in operation. There are also several States in which commissions have been appointed for the purpose of presenting drafts of proposed acts to their respective Legislatures.

As to the source of the compensation provided and the method of its distribution, legislation on the subject may be divided into three classes.

First: State Insurance.

Second: State Managed Insurance.

Third. The direct Compensation Plan.

Norway is the only European country which has adopted a real State insurance plan. No State has adopted, nor, so far as I know,

seriously proposed to adopt any plan of insurance for industrial accidents involving direct payment by, and responsibility on the part of, the State for compensation. The so-called State Insurance, which more strictly speaking should be styled "State Managed Insurance," does not contemplate governmental responsibility, but the responsibility only extends to the funds collected or administered by boards and other officials appointed by the State, under rules adopted by the State. Up to January last, only two States (Ohio and Washington) had adopted State Managed Insurance. The others, acting upon the matter, had without substantial exception, adopted the direct compensation plan.

It may not be amiss to review a few of the reasons why workmen's compensation has made such progress throughout the industrial world within such a comparatively short period of time. The old common law on the relation of master and servant, so far as the liability for accidents is concerned, was perhaps fair and reasonable, as applied to the industrial conditions at the time when it came into existence. The employer and employee were in a more nearly equal position, the number of employees was smaller, and they had like opportunities with the employer to ascertain and fully appreciate the dangers arising out of the employment (including the danger of carelessness of co-workers) and to protect themselves. It was perhaps fair that the employer should be free from liability, except in cases where he was at fault personally, or through his agents, and where the employee was not to any extent to blame; but conditions have changed. The modern industrial system in this country gathers together an army of employees, and the efficiency of the work necessarily involves discipline and prompt obedience. The almost universal introduction of machinery, with its peculiar dangers in place of the older methods, has also greatly increased the risk. Then, it must also be borne in mind that many of the employees in large industrial establishments are engaged in a class of labor for which the compensation is not over large, for the support of themselves and their families. This, with the change in the methods and conditions of living, renders it more difficult to accumulate and to sufficiently provide for themselves and their families in case of death or incapacity, either temporary or permanent.

But humanity does not alone suggest a reason for the act. An accident causing incapacity for labor, or death, is in itself an injury to the public, for by reason thereof the capacity of the workman to support himself and his family is so far affected that he may become, in whole or in part, a burden to the public. In addition to this, there is a demand on the part of both employer and employed for a relief from the expense and annoyance of litigation.

The Connecticut act consists of three parts:

Part A abolishes in actions to recover damages for personal injury sustained by an employee in the course of his employment, or for death resulting from such injury, the defense of negligence on the part of the employee, the defense that the injury was caused by the negligence of a fellow employee and the defense that the injured employee had assumed the risk of the injury, and provides that the act shall not apply to actions to recover damages for injuries sustained by employees of any employer having regularly less than five employees, or by casual employers, or by outworkers.

The act is compulsory. It proceeds in direct opposition to the decision by the New York Court of Appeals in the case of Ives vs. South Buffalo Railway Co., which held that while the defense of fault on the part of the employee, and the abrogation of the fellow servant risk could be abolished by statute, the doctrine of assump-

tion of risk or the doctrine that no man who was without fault or negligence could be held liable in damages for injuries sustained by another, involved a right which could not be taken from the employer, and thereby render him liable, without fault on his part, until the Constitution should be amended. And this, because to do so, is in violation of the State and Federal Constitutions, and deprives a man of his right without due process of law. The Ives case may be law in New York, but I think that many lawyers of high standing would challenge the decision and that it would not be followed in other jurisdictions.

Part B of the act provides for its mutual acceptance by both employer and employee, excludes its operation where the injury shall have been caused by the wilful and serious misconduct or intoxication of the injured employee; does away with the right of trial by jury—a provision which has been questioned but upheld—and limits the right of appeal to the methods provided in the act itself. Compliance with the act is presumed unless the contrary appears; it applies to all contracts of employment made after January 1, 1914, unless either party indicates his refusal to accept its provisions, and to all contracts before that date continuing after that date, unless prior thereto notice to the contrary has been given. The employer, under the provisions of the act, becomes responsible for medical, surgical or hospital service for thirty (30) day after the injury, though the injured has the option to select his own medical, surgical and hospital service, if he prefers, at his own expense. Compensation does not begin until the fifteenth day after the injury, and then only from that date. In case the injury is fatal, burial expenses to the amount of one hundred dollars ($100) are allowed, and to those totally dependent upon the deceased employee, weekly compensation shall be paid, equal to half of the weekly earnings of the deceased at the time of his injury. If there be none totally dependent, then compensation is to be divided among those partially dependent, and in case there are no dependents, the sum of seven hundred and fifty dollars ($750) is to be paid to the State Treasurer as a fund for the payment of the lawful expenses of the Compensation Commissioners. Weekly compensation shall in no case be more than ten dollars ($10) or less than five dollars ($5.00), and shall not continue for a longer period than three hundred and twelve (312) weeks after death. The term "dependents" includes a wife dependent for support upon her husband, provided she lives with him at the time of the injury, and a husband dependent upon his wife, provided he lives with her at the time of the injury; a child or children under the age of eighteen (18) years, or over that age if physically or mentally incapacitated from working. If there are several persons in the same degree of dependency, compensation is to be divided equally between them. Remarriage terminates the period of dependency, and a child, when he attains the age of eighteen (18) years, ceases thereafter to be dependent, unless incapacitated mentally or physically, as aforesaid.

Where the injury is not fatal, but total incapacity results, a weekly compensation equal to one-half of the weekly earnings of the injured (provided same shall not exceed $10, or be less than $5.00) is granted for a period which may extend as long as five hundred and twenty (520) weeks. Total incapacity includes the total and permanent loss of sight in both eyes; the loss of both feet at or above the ankle; both hands at or above the wrist; the loss of one foot at or above the ankle, and one hand at or above the wrist; and any injury resulting in permanent and complete

paralysis of the legs or arms, or of one leg and one arm, or resulting in incurable imbecility or insanity.

In the case of compensation for partial incapacity, the weekly compensation shall be equal to half the difference between the average weekly earnings before injury, and what the injured party is able to earn thereafter, provided such compensation shall in no case be more than ten dollars ($10) per week, and shall continue in no case longer than three hundred and twelve (312) weeks. Partial incapacity includes the loss of one arm at or above the elbow, or the complete or permanent loss of one arm, and compensation in such case is given for two hundred and eight (208) weeks; for the loss of one hand at or above the wrist, or the complete and permanent loss of one hand, one hundred and fifty-six (156) weeks. The loss of other parts of the body or of one leg or arm or parts of the same, and parts of the hand or foot are also provided for at different rates for different lengths of time. In fixing the amount of any compensation under this act, allowance shall be made by the Commissioner in charge, for any sum which the employer may have paid to the injured persons, or his dependents on account of the injury, except such sums as he may have expended for medical, surgical or hospital service.

The administration of this act is put into the charge of five (5) Commissioners, and the State is apportioned into five (5) districts, each Commissioner having a district, and receiving a salary of $4,000 a year and such clerical assistance as may be necessary for the performance of his duties. All of these Commissioners acting together constitute a Commission who have the power to make rules, establish procedure and forms as they shall deem expedient.

Every employer under this act must report at least once a week as to the nature of the injuries received by any of his employees by which they are incapacitated for one day or more, such report being made to the Commissioner in his district. No proceedings for compensation shall be maintained unless a written notice of the injury has been given to the employer within thirty (30) days from the happening thereof, and during the continuance of incapacity for which compensation is claimed, nor unless a claim for compensation is made within one year from the date of the injury.

If the employer and the injured employee (or in case of fatal injury, his legal representatives) shall, within two weeks after the injury reach an agreement in regard to compensation, such agreement shall be binding, provided it meet the approval of the Commissioner and he finds it to conform to the provisions of the act. Medical examination of the injured may be had at any time at the request of the employer or on the direction of the Commissioner. Refusal to submit to a reasonable examination on the part of the employee suspends the operation of the act.

When the employer and the injured employee, or his legal representatives fail to agree in regard to compensation, either party may notify the Commissioner of such failure, and such Commissioner shall thereupon proceed to fix a time and place of a hearing, of which reasonable notice shall be given to the parties in interest. Such hearing shall be governed, as far as possible, in accordance with the rules of equity, and the party hearing the same shall not be bound by the common law, or statutory rules of evidence, but may make inquiry in such manner as will best enable him to get at all the facts. The Commissioner must announce his award as soon after the hearing as reasonably possible, and if no appeal from his award is taken by either party within ten (10) days after the award, such award is binding. Appeals, however, within ten (10)

days may be taken to the Superior Court, which shall proceed to try the case in due course. Such court may issue an execution based upon the award of any Commissioner. The Commissioner may, whenever he deems it advisable, direct the payment of a lump sum instead of weekly payments, or he may order such payments made monthly or quarterly, due discount being made where such sums are payable in the future.

With the approval of the State Insurance Commissioner, any employer subject to the provisions of this act may enter into an agreement with his employees to provide his own system of compensation, benefits and insurance, but such system must provide benefits at least equivalent to those given in the act, and no such substitute system shall be approved which contains any obligation on the part of the employee to join in it as a condition of his employment, or which does not contain equitable provision for the withdrawal of the employees from such system. If such system requires contribution from such employees (none now being required under the act itself) such system shall not be approved unless it confers benefits in addition to those provided under this act, at least commensurate with such contributions. Every employer must furnish to the Commissioner of his district satisfactory proof of his solvency and financial ability to pay the compensation provided, or, in lieu thereof, shall insure his full liability, either by filing with the Insurance Commissioner security guaranteeing the performance of the obligation of this act by him or by insuring in such stock or mutual companies as may be authorized to take such risks, or by a combination of both methods.

Every policy of insurance, insuring the payment of compensation under this act, must contain a provision that, as between the employee and the insurer, notice and knowledge of the occurrence of the injury by the insured shall be deemed notice and knowledge by the insurer, that jurisdiction of the insured, for the purpose of this act, shall be jurisdiction of the insurer, and that the insurer shall in all things be bound by and subject to the findings, judgment and awards rendered against the insured. The insolvency or bankruptcy of the insured shall be no bar to recover under such policy, which must contain a provision to that effect. All sums due for compensation are made exempt from levy, attachment and execution, and are non-assignable. As to the assets of the employer, claims for compensation shall have the same preference as claims for unpaid wages. The act does not affect the liability of the employer to employees engaged in interstate or foreign commerce, for death or injury so far as the laws of the United States concerning interstate or foreign commerce govern such liability.

It is also provided that if any of the provisions of the act shall he held to be unconstitutional and invalid, such unconstitutionality and invalidity shall not affect any other provision of the act, which can be given effect without the provision held to be unconstitutional or invalid.

Part C of the act permits the organization of mutual insurance associations for the purpose of insuring their members against the liabilities under this act, provided such members are in the same or similar trade or business, or in those trades or businesses where the hazard of injury to employees is substantially similar. Such associations are put under the supervision of the Insurance Commissioner, who has a right to prescribe the rules and by-laws defining the powers, duties and obligations of the officers, directors and incorporators; and no policy can be issued by any such association until its members, in such numbers and with such numbers of employees

as the Insurance Commissioner may decide will give a fair diffusion of risks, shall have obligated themselves to take policies immediately upon their authorization. Premiums shall be paid in advance in cash annually to the extent of the current cost of the insurance carried, and negotiable notes given sufficient to maintain a reserve equal to that required of stock or commercial casualty companies by the laws of the State for similar risks. These notes are subject to the call of the treasurer of the association, as they may be required to meet losses or excess expenses. The association may also levy assessments when necessary, and invest their funds according to the law regulating the investments of the funds of domestic life insurance companies. From the decision of the Insurance Commissioner, affecting these associations, appeals may be had to the Superior Court for Hartford County.

The act in its main provisions is to take effect January, 1, 1914, though provision is made for the formation of mutual associations and for the organization of the Commissioners into the State Commission, and the establishment of such rules, procedure and forms as said Commission may deem necessary prior to that date.

THE SITUATION IN IDAHO.

By Hon. E. F. Van Valkenburg, Insurance Commissioner of Idaho.

No workingman's compensation law has been enacted in Idaho, although a very determined effort was made at the recent session of the Legislature to pass such a law. Throughout the State there was a wide-spread demand that at this year's legislative session a measure be passed that would provide some sort of indemnity for employees when injured. As a result many of the legislative candidates pledged themselves during the last campaign to do their utmost to secure the passage of a bill that would give this protection to the laboring classes. Two bills were introduced. One was modeled after the Washington law. It provided for compulsory compensation, administered through a commission supported by the State, and required each employer to contribute a certain percentage of his monthly pay roll to provide for the payment of claims arising from injuries.

The other measure was known as the "Edgington Bill," which differed materially from the plan as outlined in the other bill. It made employers responsible for all accidents occurring under them; established an elective schedule of compensation; regulated proceedings for determining the liability and compensation thereunder, and prescribed the right of an employer to collect a certain sum from his employees' wages to defray funeral, medical and hospital expenses. The employer was given the option of taking out insurance in any company authorized to take such risks in the State of Idaho or, upon furnishing satisfactory proof to the Insurance Commissioner of his solvency and financial ability to pay the benefits provided, he was permitted to make such payments directly to his employees. The maximum death indemnity was placed at $3,000.

The main arguments presented against the "Edgington Bill" were that the maximum death indemnity was too low; that it was not good policy to permit any corporation or employer to carry his own insurance; that the bill was not designed to meet conditions as they existed in the State.

The chief objection to the other bill was that such a system of compensation insurance had not as yet been proven to meet all requirements, and that its administration by a State commission would entail an exorbitant expense in Idaho, which has a very small population with comparatively few factories or large institutions and a small number of employees.

The advocates of both measures were unable to reach an agreement, and after a lengthy discussion of the subject and an earnest endeavor to enact a law that would be fair to both employers and employees, it was felt that the problems presented were so complicated and the actual experience in the working out of compensation laws so limited and conflicting that it would be wise to defer action until the succeeding session of the Legislature. In order that reliable information and statistics on the subject might be obtained, a committee was appointed to make a study of the matter and to draft such a law as it might deem best adapted to the State's needs. This commission is comprised of one member each of the Senate and House of Representatives, two employers and two representatives of labor, and its report will be submitted at the next session of the Legislature in 1915.

THE NEW WORKMEN'S COMPENSATION LAW OF ILLINOIS.

By Hon. Fred W. Potter, Superintendent of Insurance of Illinois.

The Illinois Department has never administered the workmen's compensation laws of that State. The administration of these laws has always been given by the terms of the statute to the State Labor Bureau. Upon receiving the request from Secretary McMaster of this convention to prepare a short statement with reference to the Illinois act, I asked Hon. David Ross, for the last sixteen years the efficient head of the Labor Bureau of Illinois, to submit a short statement on the new act. He kindly prepared and handed me the following article:

The workmen's compensation act enacted by the late General Assembly, and effective July 1, 1913, is a revision of the former law on that subject, and embodies many important modifications, in addition to providing for the appointment by the Governor of an Industrial Board, whose duty it will be to administer and enforce its provisions.

The previous law was entirely automatic in its operation and in many respects was phrased in such a way as to leave its intent vague and uncertain, besides making necessary frequent appeals to the courts in the matter of petitions for lump sum settlements, the appointment of a number of arbitration committees to decide disputes, render awards, etc. These proceedings delayed and obstructed the operation of the law. According to the present law all questions heretofore involving legal procedure are now placed directly within the authority and jurisdiction of the board, thus eliminating, by removing the necessity for jury trials in the adjustment of all claims. The board is supreme and only charges of fraud or questions of abstract law can be reviewed by the Supreme Court. It may be said that the delegation of such powers to the Industrial Board constitutes the most important change in the act, as the required machinery for its speedy and effective administration is supplied. Among the many powers conferred upon the board is that of requiring satisfactory evidence from employers subject to its provisions, of their ability to meet the financial obligations resulting from work

accidents. The board may require a sworn statement—an indemnity bond—or other evidence of reliable insurance. There is always the possibility and danger of bankruptcy and it is well to provide against such consequence and to assure the payment of all work-accident claims.

Considerable controversy arose under the old law regarding compensation for certain disfiguring and disabling accidents—particularly that class of injuries which permanently impaired earning power. With a view of removing uncertainties where correct computation is not possible, a schedule of specific indemnities for classified injuries is provided in the new act. For instance, the loss of an arm, half wages for 200 weeks; of a leg, 175 weeks; of an eye, 100 weeks, etc.

While a classification of this kind is not at all times equitable, for the reason that the value of a workman's hand or fingers would affect the earning powers of some more than others, according to the nature of their employment, it furnishes a uniform basis and will expedite the settlement of all losses of that character.

The terms "employer" and "employee" are greatly extended, and provision made for employers not included in the extra hazardous class of employments, to elect to accept the law.

Maximum and minimum amounts for death resulting from accident, $3,500 and $1,500, remain the same as in the former law; likewise the per cent. of compensation for temporary and total disabilities not less than $5 nor more than $12 per week.

Three members constitute the Industrial Board, not more than two to belong to the same political party. Salary $4,000 each per annum. Term, six years, except when first appointed. Named by the Governor with the consent of the Senate. One of whom shall be a representative citizen of the employing class operating under the act, one chosen from among employees operating under the act, and one not identified with either the employing or employee classes to be designated by the Governor as chairman.

With the real and discretionary powers vested in the board, the law will be given a more effective and wider application. Employers, and they constitute a great majority, who believe in the policy of such legislation will continue in increased numbers to avail themselves of its advantages, and the relief it offers to the victims of industrial accidents will be more generally and promptly distributed. As an expression of modern public opinion it marks an epoch in our concern for the general welfare of all the people and will exert a potent influence in preserving and promoting the interests of every class of citizens.

Incidentally it may be regarded as the initial step in a new labor legislative program in this State. Those who have given the subject any serious thought have long ago become convinced that our method of enforcing labor laws caused duplication of work, overlapping jurisdiction, and the creation of many bureaus, departments and commissions engaged in kindred work. On this account administrative power has been greatly weakened. There is a remedy in prospect for this unfortunate situation in the commission authorized by joint resolution of the last Legislature to investigate and effect a consolidation wherever possible, of departments engaged in the performance of similar duties. There is every reason why the duties devolving under the law upon departments like the Factory Inspection Service, the Mine Inspection Service, the Free Employment offices, the Mining Board, the Arbitration Board and the Bureau of Labor statistics, should, in the interest of greater efficiency, be

united under one head, and the laws relating to them administered through one central department or commission.

It would require only the enactment of a new labor code and the extension of the powers now invested in the Industrial Board to bring about this needed reform so far as the administration of laws relating to labor is concerned, and the next General Assembly can address itself to no more important work.

WORKMEN'S COMPENSATION.

By Hon. Ike S. Lewis, Superintendent of Insurance of Kansas.

It has not been possible to secure any valuable data about workmen's compensation in Kansas, as prior to March 12, 1913, the date the amended law went into effect, the employer was obliged to file his declaration of intent to come under the provisions of the law. Very few Kansas employers elected to comply, and such information as has been filed by these employers with the Kansas Labor Commissioner, who has direct jurisdiction, is not of much value at this time.

The Kansas Insurance Department has had no opportunity to closely observe the results of compensation, as its authority extends only to the approval of any scheme of compensation benefit or insurance which shall be substituted for the provisions of the compensation act. Up to this time no substitution has been proposed.

To my mind, the Kansas act makes substantial provision for such conditions as are intended to be covered by a compensation system. It provides for compensation on the basis of average weekly earnings,—in the case of fatal injuries, an amount equal to three times the workman's earnings for the preceding year, but not exceeding $3,600, nor less than $1,200. Payments are made on this basis in case the workman leaves dependents who are wholly dependent on his earnings. Benefits are scaled in the case of workmen who leave no dependent ones or ones who are only in part dependent on his earnings. In the case of non-fatal injuries, commencing at the end of the second week provision is made for periodical payments equal to 50 per cent. of the average weekly earnings, but not less than $6.00 per week nor more than $15.00.

Partial incapacity for work, after the second week, is compensated at the rate of not less than 25 per cent. nor more than 50 per cent. of the average weekly earnings, but not less than $3.00 per week nor more than $12.00. Payments for total or partial disability shall not extend over a period of more than eight years. No provision is made for medical aid.

The Kansas act applies to employers by whom five or more workmen have been employed continuously for more than one month at the time of the first accident. The act applies only to such employments as by their nature, conditions or means of prosecution of the work therein, are especially dangerous. A number of trades or callings are specifically defined as coming within the meaning of the act. Agriculture is declared to be non-hazardous and is exempt from the provisions of the act.

From the information I am able to secure covering the period since the first act became effective, I am willing to venture the assertion that fatal accidents in industrial callings have been reduced in Kansas below that of any similar period in the history of the State. This condition may result from a number of causes, but to my mind it can be attributed more to the education of work-

men in the use of safeguards and safety appliances than to any other one cause.

As an example of the experience of one Kansas packing house which employs over twenty-one hundred (2,100) men, it is interesting to note that their total payments to injured workmen during 1912 amounted to $1,600, with payments during 1913 as the result of injuries occurring in 1912 of $100. While it was not possible for me to ascertain accurate results in this plant during prior years, because of the records kept or lack of records, it is freely admitted that the plant's experience subsequent to compensation has been gratifying.

Estimating the number of Kansas concerns now affected by the compensation act, as no certain record is available, I am of the opinion that from 80 per cent. to 85 per cent. of all such concerns are operating under compensation.

The average per cent. of losses in Kansas of companies transacting liability insurance, for the decade ending December, 1912, was 63.5 per cent. of the premiums received. The liability rates in Kansas prior to the compensation act could not, therefore, be taken as of any value in an attempt to ascertain the present relative cost of compensation coverage, as compared to liability insurance rates. Sufficient data will not be available for years to come to offer a solution of the rate problem of workmen's compensation coverage, but it is a source of much satisfaction to know that liability companies are now offering fairly acceptable rates, and that some of the companies are asking their representatives to accept only compensation business.

THE MASSACHUSETTS WORKMEN'S COMPENSATION ACT.

By Hon. Frank H. Hardison, Insurance Commissioner of Massachusetts.

The Massachusetts workmen's compensation act went into effect July 1, 1912. Consequently it has been in operation thirteen months. It permits compensation to be paid by insurance companies only. The State does not act as the medium to collect funds and pay losses, nor does it permit employers to agree to pay their own losses. They must either insure with a stock or mutual company or have the usual defenses at common law removed.

Compensation is paid for personal injuries to employees arising out of and in the course of employment for employers who are insured under the compensation act, but no compensation is paid in case the injury is due to the serious and wilful misconduct of the employee.

A company which insures an employer covers his whole liability on account of his injured workmen, except domestic servants and farm laborers, who do not come under this act. There can be no division of the liability for Massachusetts employees. One plant in one town may not be covered while another is left without protection.

The Industrial Accident Board, created by the act and consisting of five members, hears all disputes over claims, and in fact passes upon all settlements. No case can get to the courts except on points of law. The board also has full jurisdiction over fees of lawyers and doctors engaged on compensation cases. Reports of all industrial accidents have to be made to this board under severe penalty.

Perhaps the distinguishing feature of the act is the provision that requires all of the companies to file with the Insurance Com-

missioner their manual of classifications and the rates pertaining thereto, which can not take effect until they have been approved by the Commissioner as adequate. This word is "adequate," it should be noted,—not correct or appropriate. The purpose of this provision was not to fix rates by the State, but to give competition full play up to a point where it would not endanger soundness and an ability to carry out obligations by the companies. It should be noted that the act, as originally drawn, provided that a mutual company established by the act should do all of the workmen's compensation insurance in the commonwealth. But the liability companies prevailed upon the Legislature to give them a chance at the business, but at the same time added the adequate rate clause to frustrate any attempt that might be made to smother by cut rates the mutual company while it was getting a start, and thus be rid of its competition. The plan succeeded in that purpose, and, moreover, has resulted in a situation where each company can know just what each other company is doing as to rates and classifications, which is a decided benefit in preventing underhand methods of downing a rival.

All the twenty-four companies now operating under the act, but five, use the same manual and rates. The five, which include three mutual companies, have their own classifications and rates. All are on the pay roll basis, that is, they charge a certain rate per $100 of pay roll. The mutual companies pay no commissions to agents. The stock companies all limit commissions to a maximum of 17½ per cent.

Rates were made originally on a tentative basis and approved by the department as adequate with no accurate knowledge as to what the charge ought to be, but with a certain feeling of security from all it could learn about rates abroad, personal accident rates and workmen's collective costs, that the figures originally filed by the companies would, in the language of the law, prove to be "adequate." It may be said with assurance that the original rates have proved to be sufficient. We have complete and we believe accurate returns from the companies for the first six months' business. To secure these each company is required to furnish a schedule with its annual statement, which gives certain information with respect to policies terminating during the year ending December 31st. A blank for convenience in furnishing this information is prepared by the Insurance Department. It has printed in a perpendicular column all the classifications of employments contained in the manual of classifications and rates, some 1,500 in all. In corresponding columns is afforded an opportunity for the company to state the (1) earned premiums; (2) the pay roll corresponding to the earned premium; (3) losses incurred divided into (a) death and dismemberment, (b) weekly indemnity, (c) medical services, (d) total; (4) expenses incurred; (5) total of losses incurred and expenses incurred. From the details thus furnished it is not a difficult matter to ascertain the combined experience of a company in its workmen's compensation undertakings in Massachusetts, and by the same method to ascertain the combined experience of all such companies.

It is manifest that when this experience has covered a period of sufficient length and an amount of business of sufficient magnitude, it will furnish a basis for calculating rates upon which much dependence can be placed. This presupposes, of course, that the companies make correct returns, of which the Commissioner harbors, no doubt, as far as the figures are concerned, that involve no estimates, but simply show what has been received and expenses

and the purpose of that expenditure. It is the belief of the Commissioner that the companies are sufficiently impressed with the importance of the work to exercise great care to secure accuracy, for they fully comprehend that the results are to be the basis upon which they will be obliged to predicate rates. Moreover, figures which were far from accurate could not be palmed off as correct for a long period, and any company furnishing them, either through design or carelessness, would sooner or later be detected, bringing embarrassment, if not a worse result. While mistakes have been discovered in the returns, and judgment has been found to be at fault in some of the estimates, nothing has come to light to raise any suspicion that the companies are not co-operating heartily in the work of establishing a proper basis for computing compensation rates.

Up to December 31st, which is the date of requiring statements of the companies for their transactions during the calendar year, the twenty-three companies then authorized to transact workmen's compensation insurance in Massachusetts had written compensation insurance, the earned premium of which on Massachusetts business only amounted to $2,185,400. Out of this amount the portion of the stock companies was $1,545,899, and of the three mutual companies $639,501. The losses incurred amounted to $749,569, showing that the rates as collected during the first six months period were excessive. Soon after the beginning of the new year, however, the companies reduced their rates 25 per cent. on all classifications and there were also reductions in various classifications where the original rate was out of proportion. To ascertain what would have been the effect if the 25 per cent. reduction had been in force from the beginning and thus obtain a basis for judging of the adequacy of rates after the reduction, the earned premiums are reduced by 25 per cent., and the result given in the tabular form which follows:

Earned premiums		$2,185,400.00
Reduction of 25%		546,350.00
Premiums that would have been earned at reduced rates		$1,639,050.00
Incurred losses ($749,569.00)		45.7%
Average expenses		27.4%
		73.1%
Balance		26.9%

At first thought it might appear that these figures afford evidence that rates can and ought to be still further reduced, but before that conclusion is reached certain further facts should be taken into consideration. Let us see what must come out of this margin of 26.9 per cent.

1. Since the 25 per cent. reduction on all classifications there have been other reductions of considerable magnitude in some of the largest industries of the commonwealth, notably the boot and shoe industry from 56 cents to 40 cents, and the textile from 56 cents to 45 cents. The metal schedule has been revised making considerable reduction in many of its items, and there have been many other reductions in various industries. Moreover, two of the mutual companies have provided for a merit system of rating which will reduce the cost 10 per cent. for all employees whose works are up to a

certain specified standard of construction and equipment for the prevention of accidents.

2. Rates must provide for what are termed catastrophe losses which are sure to occur some time, although there were none in Massachusetts during the first six months under consideration.

3. A certain increase in losses which will have to be met here the same as in every other country where workmen's compensation insurance has been established, an increase due perhaps to a better knowledge of how to reap the advantages afforded by the law.

4. The expenses attendant upon paying periodically the losses incurred during that first six months for which expenses no provision has been made in the regular item of expenses of the companies will have to be met.

5. Profits of stockholders of stock companies must be taken into account.

It may be urged that this margin is none too large to take care of these certainties and perhaps some contingencies besides. I, however, am of an opinion that rates will eventually have to be lowered. An expense ratio of 30 per cent. for workmen's compensation insurance is too high. A commission of 17½ per cent. to agents for handling a business which is designed to be help to the injured to a more generous extent than ever before, and which grows out of the dissatisfaction with old and wasteful methods, cannot be justified. The machinery for collecting premiums and paying losses in such a cause must be simple, direct, inexpensive. The public generally will not begrudge the cost of settling generously for injuries to workmen, but will not stand for expensive machinery for doing it. The company that cannot do business on a small margin for getting the business and settling losses will be handicapped in the race. Only expenditures for accident prevention can be large without exciting distrust, and even then must be justified by results in order to win favor.

MICHIGAN'S STATE ACCIDENT FUND AND THE WORKMEN'S COMPENSATION LAW.

By Hon. John T. Winship, Commissioner of Insurance for Michigan.

In the evolution of workmen's compensation, Michigan, being one of the States foremost in reform legislation, was also one of the first to do away with the old employers' liability law and substitute the workmen's compensation law, which, after eleven months' experience, seems to be the best and most equitable of all of the laws that have been adopted so far by any of the States of the Union.

The success of Michigan's law is doubtless due to the well-balanced compensation and the relief afforded to the employers by the elimination of expensive law suits. The present law, which was passed in 1912 and became effective September 1st of that year, was the result of the investigation of a commission created by the Legislature of 1911, and has more than met the expectations of those who were interested in placing such a law upon the statute books of the State.

Our old employers' liability law was similar to the laws of other States inasmuch as the employer had the defenses of "Assumption of Risks," "Fellow Servant," and "Contributory Negligence." The investigation of the commission disclosed the fact that these defenses prevented a large percentage (about 80 per cent.) or the injured employees from collecting compensation. As we all know,

when an employer purchased liability insurance, a large part of his premium was used for the legal and administrative expenses of the insurance company, and, furthermore, when any damages were paid by the insurance company, the attorney for the injured employee or his beneficiaries would usually get one-half. This meant that not to exceed one-third of the money paid out by the employer ever reached the parties entitled to compensation.

Our workmen's compensation law is elective, both as to acceptance of the law and the method of insurance. If an employer is able to carry his own risk and can furnish a satisfactory financial statement, the Industrial Accident Board will allow such employer to assume the payment of compensation without purchasing insurance. The law also provides that the employers may insure either with a stock liability company, with a mutual organization (of which there are now two operating in the State), or with the accident fund of the State.

Employers of Michigan who do not accept the law have the old defenses, already enumerated above, removed, the only defense remaining being that of "wilful negligence on the part of the employee," and, as was expected, this has operated to force nearly all of the employers of the State to accept the law.

The success of the operation of workmen's compensation in a number of the States, and the fact that the industry should, as a matter of justice, bear the loss caused by workingmen being maimed or killed, will doubtless bring about, in the near future, the adoption of similar laws by all of the States. It is merely a question of evolution—justice to the workingman and relief to the employer.

The accident fund was organized as a result of the raising of rates by the liability companies. In many cases these were increased to 500 per cent. of the old rates. The law became effective September 1st, and the rates were not announced until some time in October, employers being advised that they would be carried along and the rates under the new law would be furnished them as soon as possible. As soon as the rates were announced a great many of the employers felt that the burden was almost too heavy to bear. Some of the employers discovered that the law provided for the administration of a fund by the Commissioner of Insurance, and letters began to come into the department requesting the Commissioner to inaugurate the fund.

Blanks were prepared and a sufficient number had made application by November 25th so that, on that date, the bills for premiums were first sent out. The law does not allow the Insurance Department to assume the administration of any benefits for medical and hospital services. This fact, and also the fact that a great deal of expense can be eliminated, warranted the department in making rates that were approximately 60 per cent. of the so-called manual rates.

In a few instances the department rates are higher than the manual rates. One classification that was rated very much too low in the manual was automobile manufacturers. As a result of this, the department is securing no automobile business at all, and a great deal of this business went to the stock companies at rates varying from 70 cents to $1.10.

It seems to me that the fact that an employer is carrying the medical and hospital benefits himself is going to operate to the great advantage of the accident fund, and will also be one of the great factors in the saving of life and limb. It necessarily follows that if an employer can unload all of his liability upon an insurance company, he does not feel the responsibility to his employees that he

would if he were carrying even a small part of the responsibility himself.

The accident fund is organized and operated on the mutual plan without agents or agency expenses, and is operating entirely on its own income. The State assumes no financial responsibility for the maintenance of the fund, except that all State employees will be insured in the fund, although in a separate class. The Insurance Commissioner and his deputy receive no compensation from the accident fund, neither does the State Treasurer, who has charge of the money, nor the Board of State Auditors, nor the Attorney-General, who is counsel for the department. It necessarily follows that the expenses of operation should be very low, and that this is an actual fact as shown by our expense rate of about 6 per cent. of the premiums.

The cost to the employer will be adjusted at the end of each policy year, and any excess over the cost for the preceding year will be returned in the form of a credit on the next year's premium. We feel that this is a wise provision for the reason that the agents of the liability companies, as well as some of the companies themselves, are conducting an active campaign against the accident fund, and while they refuse to compete with each other, yet they invariably cut rates when in competition with the State. We can, of course, protect our business much easier if we give a credit instead of cash.

Our law does not provide for any board of directors, and it was considered advisable to have some sort of a representation by the subscribers. Accordingly, the subscribers were called together at Lansing and an advisory board, composed of four members, was elected by the subscribers from their own number. The wisdom of this action has been very thoroughly demonstrated in the operation of the fund. It has created confidence in the department, and from actual information, we know that this board has been one of the principal factors in the successful administration of the accident fund.

The system of accounting is the same as that required of the liability companies, and includes a reserve for unearned premium as well as an adequate loss reserve. The loss rate is running less than 50 per cent. of the premium charged, and a surplus fund of nearly 40 per cent. is being created. During the first year of operation we are carrying the actual monthly unearned premium, so that we know exactly where we are at all times. This loss rate has been quite uniform during the whole period of nine months' operation, and unless there is some calamity there is no reason to believe that it should vary to any material extent.

The benefit of the accident fund to the people of the State of Michigan has been very marked. In the first place, insurance has been furnished to employers at a rate much lower than the manual rates of the stock companies, the difference between the rates being much more than sufficient to care for the medical and hospital benefits, which are assumed by the liability companies. In the second place, a great many of the employers throughout the State made use of the accident fund to get out rates from the stock companies. We have found in some instances that the rates were cut as much as 50 per cent., thus bringing the premium below the charge of the Insurance Department. In the contracting business, especially with the large contractors, the rates have been cut 25 per cent. to 33 1-3 per cent.

The department has been very successful in the settlement of claims, and so far has not carried a single case to arbitration. Occa-

sionally we find that an employee desires to secure more than the law allows him, but the fact that the State is handling the proposition creates confidence and all cases have been settled so far with very little difficulty. We have had one case of attempt to defraud. The injured man resumed work, and, by working nights instead of during the day, thought to lead the department to believe that he was still disabled.

We have been bothered very little with malingering, although in two cases we have had to take the matter up directly with the employee in order to persuade him to return to work. It is the policy of the department in all of its dealings to make the employees understand that they are getting an honest deal, and we believe that this fact has a great deal of influence in getting the employees to be honest with the department.

WORKMEN'S COMPENSATION IN NEBRASKA.

By Hon. W. B. Howard, ex-officio Insurance Commissioner of Nebraska.

Mr. President and Gentlemen:

When I received a communication from my friend, McMaster, the esteemed Secretary of this Convention, I was quite surprised indeed to note he had selected me to read a paper on Liability Insurance, knowing full well as he does that the State I represent is largely agricultural and that my experience is with the farm factories rather than those engaged in the manufacturing of by-products of the farm.

In view of the recently enacted workmen's compensation act in our State, and with the experiences which is coming to me through association with those charged with the supervision and control in their States, I am convinced that this topic which is under discussion will involve more and more, as the time goes by, the attention of the Insurance Commissioners and those charged with the enforcement of the law.

Is the workmen's compensation act the sporadic effort of society to adjust industrial conditions along visionary lines and theoretical conditions, or is it a plain, common sense expression of the concrete intelligence of the people to afford an adequate remedy for the abuses which the industrial system has been subjected to for so many years that computation is practically impossible?

If the latter view is taken, then certainly no subject should engage our attention more closely than the subject of liability insurance, for it is to the companies writing liability insurance that the manufacturers and those engaged in other industrial enterprises look to to protect them from the consequences of the business imposed by law.

Here a new thought in government is given birth, and here a new duty devolves upon the Commissioner to find suitable ways in which that new thought may find its fullest and freest expression. Here, too, he is charged with duties burdensome at all times, irksome sometimes, but duties nevertheless as important, if not more so, than those to which he has formerly been accustomed. What shall be his position in relation to the employer and the company assuming liability, more especially when this form of insurance is so new as to not have back of it statistical matters upon which and by which his judgment shall be guided? Shall he stick to the letter of the law without thought of whether it is broad

enough in its intention and purpose to cover fully the hazard which it attempts to reach, or shall he take the spirit of the law and by careful and conscientious supervision obtain a condition where safety and solvency shall be the governing element in the companies which come under his supervision?

These are questions which the Commissioner must work out. For my part, I am of the opinion that the general tendency of the times in liability insurance is towards a too great lessening of the premiums charged for the risk assumed, and that the interest of the assured is not so much whether a few dollars can be saved in premiums as it is whether or not the company will be solvent, and will it be able to pay the liability which it has assumed on risks incurred in the conduct of business.

It is not only necessary that adequate premiums be charged, but it is also necessary that the expenses of management be minimized and the commission paid agent for procuring business be reduced to the lowest possible level.

I believe it should be the judgment of this convention that every Commissioner charged with the supervision of liability insurance shall look well into the expenses of management of the companies coming under his supervision, and into the commissions paid agents, and shall, from time to time, make such recommendations to the companies as in his judgment are helpful and necessary, and he should insist that the company give heed to the recommendations he makes, even to the extent of refusing license to continue to do business in case the wrongs complained of are not remedied.

It would be a deplorable condition indeed if citizens of this or any other State, coming under control of the workmen's compensation law, and by this law denied the right of common law defenses, with special burdens imposed upon them, and relying on the Department of Insurance should find that the company in which their insurance was carried was in an insolvent and hopeless condition, and that the liabilities incurred under the prosecution of their business would consume the entire savings and accumulations of a lifetime.

I do not know what course other Commissioners will pursue, but, as for myself, I shall refuse to license any company whose premium rate, in my judgment, is insufficient or whose managerial expenses are too great and commissions paid too high to insure absolute safety and solvency of the company, and I will not hesitate to revoke the license of any company which at any time in my judgment departs from what I consider to be safe, sound underwriting.

In taking this position I believe that I am only performing my duty to those who have chosen me for the position which I occupy, and who have put their confidence in me and my wisdom to so conduct the affairs of my office that the companies coming under my supervision will be able to carry out their contracts which they make with our people.

As a general proposition, the policy contracts are also a subject for careful consideration. They are of uniform language and are supposed to conform as nearly as possible with the requirements of the law.

But to the general provision of the contract I wish to direct your attention briefly. You will find the language used is quite ingenuous, and while appearing innocent on its face and phraseology, it is nevertheless capable of an interpretation which will work for the very opposite to what the law intends.

In a policy submitted to my department for inspection I discovered a clause which reads as follows: "The assured shall render

to the company all co-operation and assistance in his power in protecting his interests, that is, against claims for damage or for compensation, or for both." Now, gentlemen, what is the meaning of that clause? Taken in conjunction with that immediately preceding, I believe it means that the assured, under a liability contract, which is the employer, shall cause to be dismissed from his employ a member of a family wherein any other member of that family is making claim for damages or compensation or both, as the case may be.

The language is so broad it may mean almost anything. It may mean the assured shall employ counsel, for that would only be rendering co-operation according to his means and his ability. It may mean he shall hire a detective to ferrit out evidence in order that the liability company which has assumed his risk may make and minimize a settlement.

The clause is not as innocent as it appears. Let us suppose an employer had in his employ a husband and wife, and that during the process of their labor the husband received an injury so that he came under the provision of the workmen's compensation act and a charge upon the liability company and has reasonable hope of successfully prosecuting his claim. Now it is well known that these companies are not organized for philanthropic purposes, but for the purpose of profit and gain, and in claims of even exact justice they will not hesitate to use every means within their power to render settlement of the claim as easy as possible.

If, now, a representative of the company should suggest to the employer that the continued employment of the wife was aiding and abetting the husband in that the product of her labor furnished the sinews of war with which to fight the company, that without her discharge he was not properly co-operating in the defenses, what is more natural, we feel, than that she would be called into the office, and without excuse or reason, given her discharge, and thus both she and her husband forced to acquiesce in such settlement as the liability company might propose.

Gentlemen, I believe this particular clause to be capable of that construction; I believe it is inserted in the policy contract for that purpose and for such other purposes as may serve to humble the beneficiary to a position of absolute cowardice, for when means of subsistence are cut off there is not much courage left in the heart of any man to continue what appears to be a losing fight, and against such tremendous odds.

My department held that this clause may not be written in the contracts issued to the people of Nebraska, because I do not propose to permit liability companies operating under my supervision to render nugatory the plain intent of the law.

One other clause under the condition is worthy of attention, and that is the clause which provides that the liability company shall not be compelled to pay compensation or assume liability where the liability complained of has been brought about by reason of violation of the law as to age limit.

Now, gentlemen, we have to take the position that the liability company must assume full responsibility for any and every employee injured, whether of legal age or not, and we take that position for the following reasons:

The fines imposed upon manufacturers for employing those under the age limit in our State is insignificant compared to the burden imposed by the workmen's compensation act, and, therefore, child labor, with its police court procedure might be preferable; and, again, if any child under the legal age limit is injured

while in the employ of any manufacturer or other industrial operator, it follows that those who are dependent upon the products of his labor should not be subjected to the delay of the law and the trials and costs incident thereto, nor should a drain be made upon the family revenue necessary to meet the expenses of such suit or suits, and we, therefore, hold that this clause cannot be inserted in any policy issued in our State.

Our plain duty, as we view it, is to see that the people who have placed their reliance in the companies assuming the hazards of the business, shall not be placed in vain; that the history of the workmen's compensation act shall not be written in letters of torture, in claims contested or losses unsettled, but that the companies guaranteeing shall at all times be able to make and shall make such guarantees good.

If the liability companies fear in assuming damages for acts resulting from the violation of law by reason of the employment of those under the lawful age, they have a remedy. Let them write into their contracts that the employment of any one in violation of the law shall forfeit all premiums paid and all liability thereunder shall thereupon cease and determine.

In conclusion, I wish to thank you for the courtesy and consideration you have given the reading of this paper, and assure you that I shall be glad to receive the advice of any who have had more experience in liability underwriting than myself.

THE WORKMEN'S COMPENSATION SITUATION IN NEW YORK STATE.

By Hon. William T. Emmet, Superintendent of Insurance of New York.

Gentlemen of the Convention:

New York is one of the States in which it has been impossible, as yet, to place upon the statute books a satisfactory workmen's compensation law. A bill of this kind which was passed by the Legislature and approved by the Governor some years ago, was subsequently declared by the New York Court of Appeals to be unconstitutional, because it was a compulsory measure. But even if this had not happened, our first attempt at compensation legislation in New York State would not, in the changed condition of thought on this subject, be regarded today as a very satisfactory solution of the problem. For one thing, its schedules would be thought much too low. Nor did it contain any provisions ensuring the payment of the compensation which the law gave to injured working men and their dependents for injuries sustained in the course of industrial employments. Judged by modern standards, therefore, this measure which our Court of Appeals declared unconstitutional some years ago, would be regarded today as an inadequate and unscientific contribution to the great and growing volume of existing law upon this most important subject.

The Court of Appeals' decision above referred to settled the question, however, as to the general form which any future compensation law must take in the State of New York. Until the Constitution of the State of New York is amended, we can have no compensation law in New York, except one that is elective in form. Starting with that definitely determined fact, a serious effort was made last winter to pass a satisfactory workmen's compensation law. The purpose of my present remarks is to describe, as briefly

as possible, the struggle which ensued, and to indicate some of the reasons why it all came to nothing in the end.

It should be stated, in the first place, that after the adverse decision of the Court of Appeals upon the so-called Wainwright bill, certain representatives of labor organizations, co-operating with members of the State Senate and Assembly, drafted a pseudo-elective bill which was introduced during the legislative session of 1912 and became known as the Bayne-Sullivan bill. This bill established a high rate of compensation for industrial accidents, and provided for compulsory insurance through the instrumentality of a State fund. All employers and employees who came within the operation of the proposed law were to make payments into this fund. Employers were given no alternative methods of insuring the compensation payments for which they might become liable. An elaborate new State organism was provided for the supervision and control of the newly created State fund. The credit of the State was not placed behind the proposed fund. The duty rested upon those who collected and disbursed this fund to see to it that enough money was raised by contributions from employers and employees to make the fund adequate to meet any demands which might be made upon it. What we now know as "self-insurance" was not provided for, nor was any recognition given to insurance in stock companies or mutual associations. Employers who elected not to come within the provisions of the act were stripped of their common law defenses and rendered liable to damages without limit. Some of the advocates of the Bayne-Sullivan bill stated very frankly that they were not so much interested in establishing the principle of compensation in New York as in enlarging the common law liability of non-assenting employers.

The Bayne-Sullivan bill was passed in the State Senate, but failed of passage in the Assembly. Thus the legislative session of 1912 terminated without effective action with respect to workmen's compensation. Realizing that the measure I have mentioned would probably be introduced again in the legislative session of 1913, and believing that the establishment of a monopolistic system of State insurance would be an unwise departure for the State of New York to embark on at this time, I deemed it my duty as Superintendent of Insurance of New York State to undertake, during the summer of 1912, the preparation of a workmen's compensation bill conceived on what seemed to be broader and fairer lines than those which had been followed in preparing the measure which had failed of passage earlier in the year. My associates and I approached this work, believing that such a task lay well within the province of an efficient and well-manned insurance department. I felt that the whole subject was a technical one, inseparably connected with insurance. I hoped that in presenting a completed bill for legislative consideration, the Insurance Department would be credited with having acted in what it believed to be the interest of the entire State. We certainly had no axes of our own to grind, and were interested only in establishing in New York the principle of workmen's compensation upon as sound a basis as was possible under any bill that is elective in form.

The bill we finally presented to the Legislature was, compared with most other compensation laws in the United States, exceedingly liberal in the rates of compensation which it established. These were fixed at as high a figure as was thought to be compatible with the acceptance of the act by employers. With any higher schedules, we felt that employers would refrain from coming within the operation of the law, and that thus one of our chief purposes—

a purpose which has to be constantly borne in mind in the preparation of any elective measure—would be defeated. The bill was not limited to hazardous employments, as was the Bayne-Sullivan measure. It was designed to cover all employments except domestic service and farm labor. It took away the present common law defenses from employers who rejected its provisions. It required employers to insure their compensation payments, but it allowed them several alternative methods of insurance. As originally drawn, the bill permitted employers of undoubted financial responsibility to carry their own insurance under proper restrictions, and it permitted employers who could not qualify as self-insurers to insure either in stock companies or in mutual employers organizations—the machinery for the establishment of which was provided. All these insurance plans were placed under the jurisdiction of the Superintendent of Insurance. That official was also charged with the duty of seeing that the premiums charged by stock companies and by the new mutuals should be adequate premiums. Our bill, in a general way, followed the plan of the Michigan law. In its original form it contained no provision, however, for the creation of a State insurance fund.

This bill, which became known during the legislative session of 1913 as the Foley-Walker bill, was introduced in both houses of the New York Legislature at the commencement of the session. Almost immediately thereafter the representatives of organized labor presented, as it was anticipated they would, the so-called Bayne-Sullivan bill of 1912 for renewed consideration. This measure became known, during the session of 1913, as the Murtaugh-Jackson bill. It was changed somewhat from its original form, during the session, but retained until the end most of its distinguished provisions to which reference has already been made.

It would be unprofitable at this time to dwell upon the details of the controversy which raged during the entire legislative session of 1913 over the respective merits of these two compensation bills. It developed, before the end, into a very acrimonious controversy indeed. Whether its reverberations extended beyond the limits of New York State I have no means of knowing, but I should not be in the least surprised to hear that they had. Organized labor was alleged by its representatives in Albany to be unanimously opposed to the Foley-Walker bill, and unanimously in favor of the Murtaugh-Jackson bill. The motives of those who favored the Foley-Walker bill were vigorously attacked by these gentlemen. They so far honored me as to file charges against me with the Governor. The measure was represented as having emanated from the casualty companies—as having, in fact, been drawn entirely in their interest. The suggestion was spread broadcast that it would, if enacted, give a monopoly of the business of liability insurance to these companies. Neither of these statements contained even the proverbial grain of truth. The bill was drawn by the Insurance Department, not by the casualty companies; and instead of granting a monopoly to stock companies, in the future writing of liability insurance, it destroyed an existing monopoly which these companies now enjoy in New York State. Evidence was presented, on the other hand, to show that the Michigan law—with less liberal schedules of compensation than ours, and with the same recognition of stock companies—was working in a manner satisfactory to the labor organizations of the State of Michigan and to the people at large. Similar evidence of the essential fairness of the scheme provided by the Foley-Walker bill was found in the experience of Massachusetts

and New Jersey with their present compensation laws. The upshot of the whole fight was that, notwithstanding the protests which the representatives of organized labor addressed to the Legislature, our bill, with one or two amendments, passed both houses and was sent to the Governor for his approval. The chief amendments which the Legislature made in the bill as originally presented were (1) the inclusion of a State-administered fund as a fourth alternative method of insuring compensation payments under the act, and (2) a slight increase in the compensation schedules which were in the bill as at first introduced. This increase—while it slightly chilled the enthusiasm of some employers who had supported the bill in its original form—was accepted by the great body of employers as, under all the circumstances, fair. The so-called State fund was incorporated in the final draft of the bill as a concession to those opponents of the original measure whose opposition was based upon the fact that it contained no recognition whatever of the principle of State insurance. It was felt that while this principle could not be accepted in the monopolistic form in which it was advocated by the labor leaders, it could, with entire propriety, be recognized as one of the alternative forms of permissible insurance under the act.

The Governor vetoed the workmen's compensation bill which was passed by the Legislature, for reasons satisfactory to himself, and which were set forth in some detail in his veto memorandum. I need scarcely say that I disagree with the Governor in the view he took of the matter. It is not my intention, however, to complain here about the way in which this important problem was handled last spring by the distinguished Chief Executive of my State. So far as I could grasp his point of view, it was that no legislation on this subject which did not meet with the approval of the gentlemen who represented organized labor at Albany during the legislative session could be regarded as satisfactory. In this I differ with him, although I agree that it is highly desirable that legislation of this sort should have the approval of organized labor. But I cannot lose sight of the fact that the Foley-Walker bill, if it had become a law, would have affected some 2,500,000 workers of the State, and of these, only about 400,000 are included in the ranks of organized labor. Unorganized working people are entitled to consideration too, I respectfully submit. Personally I am inclined also to doubt the assertion that the rank and file of organized labor throughout the State were antagonistic to the bill which was passed, despite the assertions of a few labor leaders to that effect. I have every reason to suppose that if our measure had become a law it would have met with approval from the labor organizations of the State, just as a somewhat similar bill did in Michigan. However, Governor Sulzer thought differently, and I have no desire whatever to question his motives, or to cast any doubt upon the lofty patriotism which undoubtedly animated him in what he did.

What interested me greatly in the whole compensation struggle last winter, however, was the curious twist which the representatives of organized labor at the capitol gave to the discussion before it reached its end in the Governor's veto. We commenced with the question of workmen's compensation, and we ended with the question of State insurance. We were chiefly concerned, at first, in determining what would be fair in the way of compensation schedules—whether those included in the bill were too liberal, or not liberal enough—whether they were so happily adjusted as to induce employers to accept them, and at the same time prove reasonably satisfactory to injured working men and their dependents.

We supposed that these would be regarded as the questions of prime importance in this discussion. We thought that the method of insuring the payment of the compensation provided for in the bill would be regarded more as an interesting matter of detail than as the principal question involved. We felt that this insurance question was one which had to be worked out sensibly and fairly, but we looked on it as to some extent a technical question and one which was a long way removed from being the matter of vital concern to organized labor which the labor men finally declared it to be. Few things have ever surprised me more than the way in which this subordinate feature of the proposed legislation assumed such huge proportions in the minds of the representatives of labor at the capitol as in the end to blind their eyes completely to the larger issues involved. It would be exceedingly interesting to consider at length how it came about that the discussion took this turn. But this, I think, would involve a much longer talk than I have any intention of inflicting upon you.

The fact is, though, that the whole trouble arose out of what on its face looked like an attitude of settled hostility on the part of laboring men toward the casualty companies—a hostility so virulent and uncompromising that nothing apparently would satisfy it but the extermination of these companies and the substitution of a system of State insurance in their place. The attitude of those who finally induced the Governor to veto our bill was that these companies had been tried and found wanting, and that the time had arrived when they should be put out of business once and for all. The position I took on this subject was that, while there had undoubtedly been many grounds for complaint against these companies in the past, the matters which had created most irritation were things inherent to the present state of our employers' liability laws, and that it was scarcely fair to charge all responsibility for these things upon the insurance companies. These things were the inevitable outgrowths of our existing liability laws, and responsibility for them was chargeable upon our entire citizenship, which permitted these laws to remain upon the statute books. I contended, and I still contend, that such liability laws as we have today in the State of New York are inadequate, archaic, unprogressive and completely out of harmony with the spirit of an advancing civilization. I contended, and I still contend, that the proper thing to do is to abolish the barbarous conditions under which this business has been carried on in the past, and that if this were done it would be quite unnecessary to drive private capital and individual initiative out of the business of employers' liability insurance. It seemed to me perfectly plain that the failure of those who are now in the business to give satisfaction to the public had been inevitable from the start, on account of the conditions under which the business has had to be carried on. Under these circumstances, it seemed to me that we ought to change the conditions under which the business was transacted, rather than punish the men in the business for offenses they were not personally responsible for.

At the risk of taking up more of your time than I ought, I should like to explain precisely what I mean when I assert that the existing liability laws of New York are directly responsible for the principal evils which have gradually developed in the business of casualty insurance. Under these laws, a working man who is injured in the course of his employment may demand what he pleases from his employer as compensation for injuries. The law is silent on the subject of what he is entitled to receive. For a comparatively trivial injury, he can claim $50,000, if he chooses. If that does not

suit him, he can claim $100,000. The employer against whom such a claim is made has, we will assume, insured himself against such claims in a stock-liability company, and when some ambulance-chasing attorney induces an injured working man to claim excessive and ruinous damages, what usually happens is that the employer turns the claim over to the insurance company whose policy he holds, and he expects the company to shoulder all future responsibility in connection with the entire matter. What under such circumstances is the duty of the insurance company? Shall it pay all claims at their face value? To do so when the law says nothing as to how much the injured man shall receive would spell bankruptcy in a day for the insurance companies, and wealth beyond the dreams of avarice for ambulance chasers. Obviously no such course as that is to be expected from companies having the slightest desire to remain solvent over night. The only other course open to them is to try to settle these claims upon the best possible terms. That, of course, is what they do, and out of this inevitable procedure, and the litigation which is apt to follow, has developed nearly all the existing dislike for the casualty companies. These conditions, I say, are inevitable in the very nature of the case under our present laws. It ought to be plain to any fair-minded man that their existence is not due to any natural viciousness on the part of casualty insurance men, or to anything essentially disreputable about the liability business itself. Intrinsically speaking, it is a perfectly decent, respectable business, and the men in control of it today are perfectly decent, respectable men. That being the situation, the obvious thing to do, it seems to me, is to remedy the conditions under which the business is now being transacted, rather than to destroy the business itself. That is precisely what would have been accomplished if our compensation bill of last winter had become a law. Injured working men and their dependents would then have known precisely what they were entitled to receive in case of injury. They would have had no right to ask for more than the law gave them; and employers, on their side, could have asked them to take no less. All excuse for controversy would have ceased to exist, and with the excuse gone, the controversies would have soon died out. Under workmen's compensation this would come about more or less automatically. But not relying entirely upon the operation of natural laws to protect the laboring man in his future dealings with these insurance companies, our bill went so far as to provide that settlements under the act should become effective only on receiving the approval of an industrial board, upon which it was presumed that there would always be representatives of organized labor. Thus were the courts, lawyers and vexatious litigation entirely cut out of the scheme. That is to say, the industrial board just mentioned was given exclusive jurisdiction over all disputed questions of fact. Only questions of law in connection with the industrial accident could be taken into the courts. It seemed to me last winter, and it still seems to me, that it would be very much better to write a bill of this kind upon the statute books than to destroy, in a spirit of resentment over past practices, the only kind of liability insurance which we now have—namely, stock company insurance. It seemed to me that it would be both unwise from the standpoint of the State to do such a thing, and unfair from the standpoint of the companies. It would have been equally reprehensible, I admit, to have granted a monopoly of this business to the stock companies, but what our bill did was the precise opposite of this. It subjected the stock companies, for the first time, to sharp competition from other insurance organisms. At

first we depended upon the newly created mutuals for such competition; subsequently we created the State fund as an additional competitor. So you see that we tried to provide every possible safeguard against the oppression of injured working men and their dependents by the insurance companies. Under our bill the very best that the stock companies could hope for was an opportunity to prove themselves qualified to give a more satisfactory service to the public, under a workmen's compensation law, than either of the other alternative forms of insurance could give. Unless they could do that, they would inevitably be driven out of business within a few years by the inexorable law of competition. If, on the other hand, they could demonstrate their ability to do this, it has always been incomprehensible to me why any one should want these companies to go out of existence.

But, notwithstanding all this, the fact is, gentlemen, that the Governor of New York State was sufficiently impressed with last winter's manifestations of a popular hostility toward casualty companies to veto a splendid compensation measure which had been criticized by labor representatives because it gave these companies the chance to prove their right to live, in competition with other insurance organisms. Louder and louder as the fight progressed grew the demand for State insurance in connection with the payment of industrial claims, until finally the original object of the legislation we advocated—namely, the establishment of the principle of workmen's compensation in New York State—was entirely lost sight of and forgotten in the clamor which arose for this new form of socialistic experiment. Precisely what all this betokens for the future is something which thoughtful men connected with the business of insurance had better consider very carefully. In the meantime, we New Yorkers have, as I said in the beginning, our compensation problem still to solve. I look with some degree of envy upon my more fortunate brethren from other States who have succeeded in getting this matter "off their plates," as my friend Appleton would express it, and into the statute books of their respective commonwealths.

WORKMEN'S COMPENSATION IN OHIO.

By Hon. E. H. Moore, Superintendent of Insurance of Ohio.

Mr. Moore: My failure to prepare a written paper is due to the fact that I have a rule of conduct, which I have adhered to very generally and which is growing on me with years—I do not recommend it for use to my fellow-commissioners—but it is a very attractive rule for a busy man to follow: Never do today what you can put off until tomorrow. (Laughter.)

When I received your notification I kept putting off the writing of the paper, and then, unfortunately for this purpose, our legislative committee, engaged in an investigation of the rate question, insisted that I be present, and when, after several days, I returned to my office I found a volume of work that I did not complete until I left for here Sunday afternoon. That is my excuse.

I shall not go into the details of our Ohio law, because I think, so far as the details of compensation are concerned, all these laws are largely alike save perhaps in the maximum or minimum of the compensation paid in case of accident or death.

Our law in its entirety will not be of much value as a basis of comparison for other States purposing new legislation or amending

the old on this subject, for the reason that we adopted last summer a constitutional amendment that empowered our legislature to pass an act providing for compulsory compensation. I take it that very few, if any, other States in the Union are so situated.

But prior to that time (in 1911) we had passed an elective compensation law. That is, our supreme court said it was elective. If the employer did not elect to come under the provisions of the law he had nothing taken away from him except all his common law defenses (laughter), and if the employee did not elect to come under it he had nothing taken away from him save only that he had left no right of action whatever. (Laughter.)

In other words, it appears to be the general tendency now to hold that every such law is elective if the penalty imposed for failure to come under the act is anything less than taking away the right eye. (Laughter.)

Our compulsory law went into effect only in some unimportant parts in July,—important, however, to the liability companies. In other regards, it goes into effect on the 1st day of January next. Lest I omit it in passing, I want to say that this one regard is somewhat of importance to the liability companies, in that from and after the 13th day of last month it is unlawful to write liability insurance in our State. (Laughter.)

This law to which I refer—the law that goes into effect the 1st of January—provides for a board to administer its provisions. This board was known as the State Liability Board of Awards. But subsequent to the passage of the act in question that board was abolished and all its powers were transferred to the Industrial Commission. This board is composed of three members, who will sit to pass upon claims and also as a board of administration to administer the act.

All employers, employing five men or more, **must** come under its provisions. Employers employing less than five men **may**, if they see fit, come under it. If an employer comes under the provisions of the act, no right of action thereafter is given to his employees on account of injury or death occasioned in the course of the employment, except where such injury or death is occasioned by the wilful act of the employer or by his failure to comply with the statutes of the State, enacted for the protection of employees, which, in itself, embraces a pretty large class of injuries. Whether or not it is wise to except these classes of injuries is outside of the question, because under our constitutional amendment the legislature is forbidden to take away the right of action in cases of that character.

In the case of temporary total disability, the amount paid is 66 2-3 per cent. of the average weekly wage during the time that the disability lasts, not exceeding six years, nor in the aggregate more than $3,750.00.

There is a maximum limitation upon the weekly wage of $12.00, and a minimum of $5.00, unless the average weekly wage be less than $5.00, in which case the total weekly wage is the minimum. This limitation runs throughout the law with reference to all compensation based upon the average wage, and therefore I shall not again refer to it.

In the case of partial disability the employee shall receive 66 2-3 per cent. of the impairment of his earning capacity during the continuance thereof, with the maximum and minimum limitations above referred to. The statute enumerates more than a score of specific injuries amounting to partial disability, for which specific amounts are awarded.

In cases of permanent total disability, the award shall be 66 2-3 per cent. of the average weekly wage, with the maximum and minimum weekly limitations above named, until the death of the person so totally disabled. The loss of both hands, both arms, both feet, both legs, or both eyes, or any two thereof, is prima facie permanent total disability.

In case the injury causes death within two years, the benefits are to be in the amounts and to the persons following:

1. If there be no dependents, disbursements are limited to certain medical and funeral expenses specified in the act.

2. If there are wholly dependent persons the payment shall be 66 2-3 per cent. of the average weekly wage, for the remainder of the period between the date of death and six years thereafter, with a maximum of $3,750.00 and a minimum of $1,500.00.

3. If there are partly dependent persons, the payment shall be a like per cent. of the average wage, to continue for such portion of the period of six years as the board may determine, with a like maximum and minimum. These are the salient features of our law.

There is a feature to which I desire to call your attention that has brought up considerable discussion: namely, whether or not the employer should be permitted to carry his own insurance. Our law in the main forbids that. As I have said, all liability contracts are absolutely forbidden. The law, however, provides that where the board receives satisfactory evidence of the financial solvency of the employer, he shall be permitted to carry his own risks under such rules as the board shall adopt. In other words, it is entirely optional with the board whether they adopt any such rules or allow any person to carry his own risks.

There is nothing in the law whereby an employer is forbidden to carry compensation insurance indemnifying him against the compensation which he will be compelled to pay, in the event that the board permits him to carry his own risk, as above specified.

The law provides that the employer, in the event that he carries his own insurance, shall pay the same amounts as under the law would be awarded by the board, but leaves it to the employer to pay such amounts directly, without an award, in the event that, under the rules adopted by it, he carries his own insurance. This is a bad feature in any law. The law should provide that the board make the award and then that the board or the employer, as the case may be, pay. As the law stands, the employer himself (if he is permitted to carry his own risk) is to determine whether or not the amount paid by him is the correct amount. Of course the board, upon appeal, can determine whether or not he has acted fairly and justly with his employees, but as practical men we know that an employee will be very loth, if he be only temporarily injured, to enter into any dispute with his employer as to the amount of compensation.

I think our law should provide—every such law should provide,—that any employer who shall give satisfactory evidence of his solvency, or shall execute a satisfactory surety bond that he will comply with the awards of the board, should be allowed to carry his own risk; and if he be not so situated as to be justified in taking the chances himself, then that he be permitted to take out a compensation insurance policy indemnifying him for any payments that he may be compelled to make under such awards. The big fellow that does not carry any insurance now, will carry none then, and under our act he is permitted to carry his own insurance; while the small employer is obliged to come under the provisions of the act, and, as it now stands, if he cannot give satisfactory

evidence of his solvency, must pay the rates fixed by the board, independent of whether or not he can get better ones from an insurance company. A monopoly is hateful, whether it be exercised by the State or by a corporation. I can well understand why, under certain circumstances, a private company can write liability or compensation insurance cheaper than the State can do. If it cannot, it will soon go out of business; if the State cannot do it more cheaply, it should go out of the business.

Every law of this character embraces two ideas: The one of compensation,—absolutely right in principle no matter how hurtful it is to lawyers and insurance companies,—which does away with the industrial waste of litigation, of the money paid out to courts, juries, lawyers, insurance agents and claim agents, and provides only for the parties injured and their dependents, thus also seeking to prevent these from becoming a burden upon the State. The other idea is to provide a means of indemnity, at a reasonable rate, to an employer who cannot afford, without insurance, to take the chances in the event of a catastrophe of being obliged to pay the compensation imposed by law.

Now, our law provides that the State board shall classify the risks according to their degree of hazard, and that there shall be a readjustment every six months, to determine whether or not that particular class of business has been operated at a profit. If so, during the next six months the amount of such profits shall be apportioned to each member, as a credit upon his next six months' premium. This is equitable and right.

But, on the other hand, our board states that it purposes doing a certain thing which, I think, is not justified by the law, and which in its workings will certainly be bad. They say that they propose to take each individual risk, keeping all accounts separate, and if that individual risk has shown an undue loss for a period of one year, then they purpose for the next year to add to the premium of that employer a sufficient additional premium to make up for that additional loss. Now at first blush that sounds good, but upon consideration you can readily see what that means. It will spell absolute ruin to the small employer. Here is a man, for instance, who is building a large sewer. He may be worth fifty thousand dollars, and have an excellent reputation as a good contractor. He cannot take a chance of a catastrophe—a cave-in, for instance—without insurance, for it would ruin him, and if they undertake to tax him the next year, when such a calamity has befallen him, a premium sufficiently large to make up the loss, its payment would be ruinous to him. He would be absolutely driven out of business. By this method the compensation feature of the law is properly administered, but the insurance feature is entirely overlooked.

To all practical intents and purposes, such contractor might as well be without insurance. The truth of the whole matter is this—that a State cannot do certain things that a private corporation can do. A State can classify the various hazards, but it may not give different rates to individual risks of the same class. To permit any board to do so would give rise to all sorts of personal and political favoritism. And yet, without giving to individual risks of the same class, and apparently the same physical hazard, different rates, exact justice cannot be done.

For example, we might have two coal mines, of approximately the same size, and employing the same number of employees, having the same character of safety devices, and similar physical features, and yet the one might be a very hazardous risk, and the other comparitively non-hazardous; the one might employ Amer-

ican laborers, and the other non-English speaking workmen; the one have a careful management, and the other the very opposite. Any good liability underwriter will tell you that the one might present a risk essentially different from the other, and yet the State cannot undertake to give to such individual risks of similar physical character a varying rate, because if you put that power into the hands of any body—even of the insurance commissioners, great and virtuous as they are—it would give vast opportunity for political and personal favors of every kind, and would be a most inadvisable thing for the State, as a matter of public policy, to do. Thus the careful employer, the man whose plant has been made as safe as possible, even absolutely "fool-proof," both as regards its physical appliances and moral hazard, is put at a disadvantage with the careless and inhumane employer, if he be classified with him. A penalty is placed upon thoughtful care and humanity—an entirely unfair and impolitic proposition.

These are some of my ideas of the things that a compensation act should employ. With the exceptions referred to I think we have the best law of any State in the Union, and outside of its compulsory features, its provisions can be enacted in any State in the Union—that is, where the courts follow the definition of the term "voluntary" and "elective" that I have referred to.

Mr. H. K. Darling, of the Commission to Investigates Workmen's Compensation for Vermont: What is your constitutional provision?

Mr. Moore: In substance it empowers the legislature to pass compulsory compensation laws; establishing a State fund to be created by compulsory contributions thereto by employers, and administered by the State. This was adopted by a vote of our people last summer. Prior to that time we had an elective act which in many of its features was similar to the one we now have.

WORKMEN'S COMPENSATION IN OREGON.

By Hon. J. W. Ferguson, Insurance Commissioner of Oregon.

Mr. F. H. McMaster, Secretary, National Convention of Insurance Commissioners, Burlington, Vermont.

Dear Sir: In compliance with your request concerning the Employers' Liability Law in this State, I beg to advise that our present law was initiated and passed by the people at the general election, November 8, 1910. Copy of the law is enclosed herewith, if it is desirable to make it a part of your records.

The provisions of this law took from the employer the defense of negligence of a fellow servant and contributory negligence of the employee injured. It also removed any limit as to the amount of damage which may be awarded. As a result of this, I am advised that the rates for liability insurance were practically doubled by the companies transacting business in this territory. I understand there has been some reduction in such rates since that time, but to what extent I am not fully informed. As a result of the heavy increase in cost of such protection, many employers discontinued their liability insurance. This fact does not, however, seem to have materially affected the volume of business transacted since the premiums collected for liability insurance, as shown by the reports filed by such companies with this department, indicate that they have advanced from $258.612 in 1910 to $683,142 in 1912. This large increase may be accounted for, in part, by the extensive

use of automobiles and auto vehicles for transportation, and the fact that liability insurance is generally carried by the owners. The claims paid, however, have increased in larger proportion than the premiums, being $123,580 in 1910 and $414,226 in 1912.

A decision handed down by the Supreme Court of the State of Oregon, April 5, 1913, has been considered as a very important one in its relation to the employers' Liability Law. This decision is to the effect that a general contractor is not liable to a servant of an independent contractor for personal injuries caused by the negligence of such independent contractor in possession of the premises. This decision, likewise, would relieve the owner to the same extent.

The damages for personal injuries which have been awarded in the courts since the passage of this law, have been uniformly higher than before, and I think this unlimited liability of the employer has increased the rate for liability insurance more than the other features of our law.

As to the general effect of the law and its results, I am unable to give any definite information at this time, but I am disposed to think that, although it has increased the liability of the employer, there are more employers without insurance today, on account of the increased cost, than before the law was effective.

Very respectfully,
J. W. FERGUSON,
Insurance Commissioner.

WORKMEN'S COMPENSATION LEGISLATION IN PENNSYLVANIA.

By Hon. Charles Johnson, Insurance Commissioner of Pennsylvania.

The Legislature of 1911 of the Commonwealth of Pennsylvania passed "An act authorizing the appointment of a commission to inquire into the causes and results of industrial accident, study advanced methods for safeguarding against the same, and inquire into the subject of fair compensation for those injured or killed as a result thereof, and making an appropriation for the expenses of said commission," which became a law by the approval of the Governor on June 14th, 1911.

This commission was directed to report in writing its findings to the General Assembly, which would convene in January, 1913, together with such recommendations as it might deem proper.

On December 31st, 1912, the commission filed its report with a number of exhibits, among them an exhibit entitled "An act defining the liability of an employer to pay damages for injuries received by an employee in the course of employment, establishing an elective schedule of compensation and regulating procedure for the determination of liability and compensation thereunder."

On February 5th, 1913, in the House of Representatives, a bill was presented in accordance with the report of the commission and was henceforth known as the "Workmen's Compensation Act."

In the act presented in Article I, "Damages by Action at Law," it provided "that in any action brought to recover damages for personal injury to an employee in the course of his employment, or for death resulting from such injury," it should not be a defense.

"(a) That the injury was caused, in whole or in part, by the negligence of a fellow employee, or

"(b) That the employee had assumed the risk of the injury, or

"(c) That the injury was caused in any degree by the negligence

of such employee, unless it be established that the injury was caused by such employee's intoxication or by his reckless indifference to danger. The burden of proving such intoxication or reckless indifference to danger shall be upon the defendant, and the question shall be one of fact to be determined by the jury."

In Section 2 "The employer shall be liable for the negligence of all employees, while acting within the scope of their employment," "including employees licensed by the State or other governmental authority, if the employer be allowed by right of free selection of such employees from the class of persons thus licensed."

Article II provided for an elective compensation.

Article III provided for general provisions in which the word "Employer is declared to be synonymous with master and includes natural persons, partnerships, joint stock companies, corporations for profit, corporations not for profit, municipal corporations, the commonwealth and all governmental agencies created by it." "Employee is synonymous with servant, and includes all natural persons who perform service for another for a valuable consideration, exclusive of casual employees, and exclusive of persons not employed in the course of the regular business or domestic affairs of the employer, and exclusive of persons to who articles or materials are given out to be made up, cleaned, washed, altered, ornamented, finished or repaired or adapted for sale in the worker's own home or on other properties not under the control or management of the employer."

One serious objection to this bill in the House of Representatives was that it did not exclude the agriculturalist from liability. The rural members objected to the bill because it would wipe out a farmer's income by compelling him to care for employees injured while engaged in his service, and asserted that no intelligent farmer would take the risk of following this kind of occupation, and tried to amend it by exempting agricultural employers.

The members representing the city districts wanted to have the manufacturers exempted, in case the agriculturalists were excluded, and said that when conversing with manufacturers on the bill were told by them to not put any more burdens on the manufacturers. Objections were also made to the bill for the reason that it would impose a burden upon the employer of an individual workman, and the agricultural employer, and entirely out of proportion with the benefit to be derived by the laboring interests at large. Many manufacturers intimated that in the event of the passage of this bill that they would be compelled to close their establishments. It was also asserted that it would work a hardship on more persons than it would benefit; that it was crudely drawn and would seriously affect the interests of small corporations, farmers, and individuals, and relieve contractors from all responsibility and put it on the owners of property, and was illogical.

Fullest opportunity was given the proponents, as well as those opposed to the bill, to be heard, and many hearings were held for discussion and consideration. On the other hand, the manufacturers claimed that they did not have sufficient hearings on the bill and for that reason were opposed to it.

The objection in the Senate was not the principle of the bill, but the plan submitted.

An elective clause was inserted in Senate committee to protect the employers for the reason that it was held that the larger corporations were satisfied with the provisions of the bill and that under this amendment, if they were in good faith, they would have an opportunity to come under its provisions and demonstrate its

workable features during the next two years, and the commission drafting the bill would be continued until 1915, so that it could watch the workings of the bill and report to the Legislature of 1915 and amend it so as to make it apply to all employers of labor in Pennsylvania. The bill was supposed to be unfair to the employer and employee alike and would make the innocent suffer for the guilty.

The bill passed both bodies of the Legislature with amendments. The House of Representatives declined to concur in the Senate amendment, which it interpreted as making it ineffective, and the Senate refused to restore it to its effective form. It was then referred to a Committee of Conference and this committee refused to agree and the bill failed of passage.

The Industrial Accidents Commission will be continued for another two years, the commission to be composed of seven members, the Governor to make the appointments, and there is no doubt but that a bill will again be presented in the next Legislature of 1915.

WORKMEN'S COMPENSATION IN UTAH.

By Hon. William Done, Insurance Commissioner of Utah.

Since the questions involved in the relationship between master and servant have always existed and will always exist, it is very difficult for any one—no matter how learned or skilled—to set down a certain formula which will immediately and automatically settle them. Especially is it difficult to reach a settlement through legislation alone. I have always regarded legislation as only one of the many means by which these matters can be determined.

A distinguished fellow citizen of mine, United States Senator Sutherland, from Utah, has just given what I regard as one of the most masterly treatises on this subject ever presented.

It will be observed, however, that Senator Sutherland speaks chiefly as a lawyer and legislator, and, therefore, treats the subject almost exclusively from the legal and legislative standpoint.

I think it cannot be finally settled, however, until a number of other elements besides the legislative enter into it. If there were not so many other important subjects pertaining to this discussion, I should regard Senator Sutherland's plan of solution as the ideal one; but the very fact that the matter is so complicated renders its adjustment through the one channel difficult.

I think that in our discussion of this matter the element of human nature and human liberty must specifically enter. The tendency of social thinkers is likely to be too much in the line of mechanical adjustment of human relationships, and such adjustment is difficult. It either does not take sufficient account of all the varied elements of human nature, or it deprives the individual of his right of choice.

The substitution of workmen's compensation for employers' liability and the adjustment of all these questions by the operation of an automatic, exclusive, and compulsory law—while it is a "consummation devoutly to be wished"—is open to the serious objection that men will not lightly regard the taking away of their liberty of choice, or they will abuse the exclusive privileges thus granted. The fact is recognized, I think, in places where such laws have been and are in operation.

The right of any injured employee, or the heirs of one who has met death in the performance of his regular work, to file suit against the employer, has been universally recognized. To remove this right at once by summary legislation, and thus destroy the liberty to choose, may be found objectionable in a country where the freedom of the individual is so thoroughly recognized as in the United States.

The plea that such a law would eliminate waste and other objectionable elements of the present procedure is a very attractive one, except that no law and no system has been, or, perhaps, can be, so perfectly framed and adjusted that it will automatically meet every condition.

It is well known that evils in the way of false claims, malingering, and the like, have arisen in other places where such laws are enacted, and yet even in many of these countries legislation has stopped short of exclusive compensation.

I can speak a little more conservatively, perhaps, than some of my fellow commissioners, because industrial conditions in Utah have not developed to the point where the relationship between employer and employee is delicate and critical.

An attempt was made to pass a workmen's compensation law during the recent Legislature, but after several public hearings, in which various parties had an opportunity to give their views, it was allowed to go by default for the present.

I have frequently been referred to as a conservative in matters of insurance legislation and procedure. It has not always been easy in this age of progressivism to decide whether the term is applied as a compliment or an accusation—but, as Josh Billings once said: "It's better not to know much than to know too many things that ain't so."

I am willing to say that it's better to do too little legislating than to do things that aren't appropriate.

It is difficult—and to a certain extent, presumptuous—for me to give advice on this subject to you who live in States where the problem is clamoring for solution. But as an innocent—and ignorant—bystander, I would urge you to be careful. Do not mistake the clamor of one or the other party involved in this great problem, or the declarations of political platforms, as the conclusive and convincing voice of the whole people. Be sure not to legislate for or against any one party or interest.

Remember that legislation is effective only as it reflects public sentiment. Like all other organisms—social and otherwise—laws must grow. They cannot be made out of hand. Their healthy growth is with public sentiment—not against it or too far ahead of it.

These are platitudes, but they are all I have to offer now. Frankly, I know what we want—but not how to get it. We want as direct and prompt compensation as possible, with minimum waste and trouble. We want satisfied and contented masters and servants. We want effective co-operation between employer and employee, with public sanction.

Now, gentlemen, go ahead and get all this, and then tell us Utah people how it's done.

WORKMEN'S COMPENSATION IN WASHINGTON.

By Hon. Howard L. Lindley, Secretary Industrial Commission.

The following letter was written by Hon. Howard L. Lindley at the request of Hon. H. O. Fishback, Insurance Commissioner of Washington:

Olympia, July 10, 1913.

Hon. H. O. Fishback, Insurance Commissioner, Olympia, Washington.

Dear Sir: In accordance with your courteous invitation of recent date, I take pleasure in presenting herewith some facts, figures and comment on the workmen's compensation act of this State.

It gives me more than ordinary pleasure to write upon this favorite theme, because Burlington, the city where the National Association of Insurance Commissioners meets, and Vermont, my old home State, are full of associations of the most interesting character. No doubt my friend Deavitt will recall some lively and exciting scenes in 1906 which had their storm centers at the Van Ness City Hall and Strong Theatre.

These, however, had nothing to do with insurance or workmen's compensation, although the tremendous social stride represented by the latter grew in part from the spirit of insurgency and revolution which made 1902 and 1906 more or less notable in Vermont's political history—a spirit that is perhaps even more characteristic of the West than of the East.

It is easy to say that the workmen's compensation act of Washington has passed the experimental stage. An accident fund of $2,105,798.19, with 145,000 workmen and 6,500 employers under its protection, does not look like a trifling experiment, but it is a fact that nearly two years' actual experience in the application of the law still leaves the question of rates undetermined and our statistical figures are changing from month to month. I do not have to warn insurance experts to deal lightly with insurance experience covering less than two years' actual administration.

The question of rates, however, is not particularly essential in connection with the Washington compensation act, as you will see by glancing down the columns of the printed tables which accompany this article.

All industries are divided by law into 47 classes, and each class is designed to be self-supporting. If it costs only $0.86 per $100 to pay the claims and carry the reserves of Class 34, machine shops, the rate then becomes not $2.00, but $0.86. On the other hand, experience has shown that $2.00 is barely sufficient to carry Class 24, paper mills, so nearly the full rate has been assessed month by month. No doubt some of these rates should be adjusted by the Legislature, but in every case where rates appear to be high, it should be borne in mind that merely enough money is collected to pay the claims and guarantee the pensions. As a matter of precaution, a working balance is carried in each class, but no attempt is made to collect the full rate unless the accident cost requires it.

In this connection, it should be remembered that the accident fund is sacredly devoted to paying claims, the entire cost of administration being borne by the general funds of the State, raised by taxation. The larger employer sometimes thinks that he "gets it coming and going" through contribution to the accident fund and through increased taxation. The latter, however, is largely a matter of bookkeeping. Personal injury cases formerly took up one-third of the time of courts and caused enormous waste of public

money, private capital and economic energy. Today the ambulance chaser is like Othello, his "occupation gone."

Negligence suits have almost disappeared from our court calendars, and the taxpayer gains accordingly. Hence the reason for paying the costs of administering the workmen's compensation act from the general funds of the State.

Washington is the pioneer in compulsory compensation for injured workmen. Several States have laws of the elective character, and the elective law has its advantages. It gives the casualty companies their chance to "compete for the business," as they are so fond of saying, but the elective law will never be successful, because there is still too much human selfishness and greed in the world.

Casualty insurance protects the employer, not the workman. It does not compensate the injured claimant; it buys him off when his employer has been negligent—that's all. Over 90 per cent. of our claims show no negligence whatever, men being injured on account of the risks of trade, 81.6 per cent.; workman's fault, 12.3 per cent.; fellow-servant's fault, 4.0 per cent.; foreman's fault, .5 per cent.; third person's fault, .2 per cent. It makes no difference to Washington who is at fault—we pay the injured workman something. The innocent wife and children do not suffer in Washington, no matter who is to blame, because those that do not come under the workmen's compensation act can invoke the widow's pension law or the lazy husband law. One way or another, we take care of them all.

"Socialism," you might say, but the word has lost its terrors these days. Intelligent, courageous, progress merely laughs at epithets and goes on its way.

"The right of contract" is another catchline in the campaign against compulsory compensation. Well, our Supreme Court had something to say about that:

"It is thought the act at bar interferes with certain of the personal rights here defined, particularly with the right of contract, and is for that reason violative of this provision of the Constitution. But it is recognized in the case cited, and in many others, that these rights are not absolute. On the contrary, it has been many times said that there is no absolute right to do as one wills; pursue any calling one desires, or contract as one chooses; that the term liberty means absence of arbitrary restraint, not immunity from reasonable regulations and prohibitions imposed in the interests of the community. The principle was thus stated in Frisbie vs. United States, 157 U. S., 160."

After quoting eminent authorities, the Court continued:

"If, therefore, the act in controversy has a reasonable relation to the protection of the public health, morals, safety or welfare, it is not to be set aside, because it may incidentally deprive some person of his property without fault or take the property of one person to pay the obligations of another. To be fatally defective in these respects, the regulation must be so utterly unreasonable and so extravagant in nature and purpose as to capriciously interfere with and destroy private rights.

"That the statute here in question has the attribute of reasonableness, rather than that of capriciousness, seems incontrovertible. The evil it seeks to remedy is one that calls loudly for action. Accidents to workmen engaged in the industries enumerated in it are all but inevitable. It seems that no matter how carefully laws for the prevention of accident in such industries may be framed, or how rigidly they may be enforced, there is an element of human

equation that enters into the problem which cannot be eliminated, and which invariably causes personal injuries and consequent financial losses to workmen engaged therein. Heretofore these losses have been borne by the injured workmen themselves, by their dependents, or by the State at large. It was the belief of the Legislature that they should be borne by the industries causing them, or, perhaps more accurately, by the consumers of the products of such industries. That the principle thus sought to be put into effect is economically, sociologically and morally sound, we think must be conceded."

The Court, therefore, concluded that the act was constitutional, and had the following to say further regarding the right of contract:

"Theoretically, of course, the employer and employee, on entering into a contract by which the one engages the services of the other, stands on the same plane; but in practice, as it is well known, this ideal condition very seldom exists. Greed and sagacity on the one side, and necessity and incapacity on the other, sometimes lead to contracts that create conditions little short of peonage; and our own reports abound with instances where men have been induced to work in situations so dangerous to life and limb that the wonder is not that some of them were injured, but, rather, that any of them escaped injury. Indeed, it is a common thing for an employer, in defense of an action of damages brought by his employee for injury received in such a situation, to urge that the dangers of the place were so obvious and apparent that the employee was guilty of contributory negligence for working therein. These conditions, we think, authorize the interference of the Legislature. The grounds upon which the employer may be held to contribute to a fund for the relief of all injuries sustained by his employees, whatever the cause, we have already stated. The obligation of the employee to accept the conditions of the statute can rest on like grounds; namely, the welfare of the State. The relation being one of contract between employer and employee, the State may make it a condition of the contract that the employee shall accept a fixed sum for any injury he may receive while engaged in the employment, whether the injury be the result of the inherent dangers of the employment or the result of some fault of his employer."

In this connection Commissioners who happen to be lawyers will be interested in the case of J. L. Stoll vs. Pacific Coast Steamship Company, in which Judge Cushman, in the District Court of the United States, upheld the Supreme Court in every particular. He said:

"All these questions have been decided adversely to the plaintiff's contention by the Supreme Court of the State of Washington. (State ex rel. Davis-Smith Co. vs Clausen, 65 Wash., 156). To warrant this court in undertaking to determine otherwise, after such holding by a court of concurrent authority, the error of such decision should be so clearly established as to convince this court that a mistake had been made, which is not the case.

"The decision of the State Supreme Court is exhaustive and convincing, and, without entering upon a consideration in extenso of the reasons for so holding, but basing the decision upon the reasons advanced in that case, the demurrer is overruled."

Washington, therefore, considers that these problems are practically settled, and has proceeded with the administration of the law. All the employers engaged in hazardous industries and all the workmen engaged in such operations are under the protection

of the law. This is not the case in any State where elective acts are in effect, and it would not be the case in Washington if the inevitable, but occasional kicker had his way. For example, several foreign corporations doing business in Washington, notably a concrete concern in the northern part of the State, allowed themselves to be ill-advised and refused to pay their contribution to the accident fund. This concern took out a special policy with a casualty company, and the minute a man was hurt on their works a special adjuster was on hand to settle the claim. Meanwhile the Commission was not idle, and sent assignments to each claimant whose accident was reported. It was not, however, until this uneven contest had gone on for several months and the casualty company had not only expended all the premium in settling claims, but was seriously "in the hole," that both the employer and the casualty people woke up to the fact that it was costing two or three times as much to defy the law as it would have cost to pay the contributions demanded by the State for the accident fund. In fact, the casualty company threw up its hands and notified the policyholder that the contract would not be renewed. The concrete concern then paid all the accumulated assessments, with interest, and became one of the most cheerful contributors to the accident fund.

Another example was a laundry concern caught in default at the time of an accident, and haled into court by the injured workman with all constructive defenses abolished. The records of the Commission were practically the whole case for the injured workman, and a judgment of $5,000 was promptly given against the defaulter, whereas his contribution to the accident fund would have been less than $100 for the year, and the most that the injured workman was entitled to recover under the law was $1,500.

A third case was that of a foreign corporation which announced that it was about to resist the law and take its case to the Supreme Court of the United States. The question involved was the right of an employer to make subcontractors of all his men—a shrewd subterfuge, which was effectually riddled by a court decision in King County, and which compelled the defaulter to bring his men within the protection of the law by paying all accumulated contributions, interest, court costs and attorneys' fees.

After a few experiences like the foregoing, the employer who had the old-fashioned idea that the State had no right to interfere with his business, made up his mind that there were features about a compulsory law that called for approbation. In fact, the opposition to the law at this time has practically disappeared, and the propaganda for repeal or serious amendment will probably come from the ranks of labor rather than from the employers.

On the other hand, the States which have the elective sort of law on their statute books are unable to do anything with the recalcitrant employer who may provide himself with casualty insurance and go ahead under the old system after serving written notice on the State that he does not care to take advantage of the act. In other words, he is permitted to proceed in his own selfish, sordid way, paying only such claims as represent liability.

Right here is where the radical difference between Washington's law and all other compensation laws exists. Washington takes care of all the workmen injured in hazardous pursuits—the employer who refuses to take advantage of the elective law pays only the cases into which negligence enters, while the State and society as a whole must bear the terrific cost of hazardous industry, as heretofore.

It is over two years since I went to work for the Industrial Insurance Commission of Washington. In fact, Mr. George A. Lee, first chairman, put me to work in the Attorney-General's office June 1, 1911, a week before the law went into effect. At that time the Commission had no office and no money. Some of the best lawyers in the State said the act was unconstitutional, and employers were being urged by the agents of the casualty companies to resist the law and put it out of business. Mr. Lee arranged a test case, the Supreme Court upheld the law, and by the time the act took effect in October, we had a fair list of the State's industries on our books and began to collect contributions.

The history of the organization of the Commission, from the days when its business was done in a back room of the Attorney-General's office, with the help of one stenographer, to its present occupancy of half the west wing on the third floor of the capitol building, with 29 employees and 21 field adjusters and auditors is told with some detail in the annual report, pages 28 to 47 inclusive. I wish you would have the members of the National Association send postage (13c.) for this book and put it in their libraries. It cost the State about 65 cents a copy, but we will gladly send it anywhere for the postage. It is unique of its kind and contains the only data in existence regarding compulsory workmen's compensation.

The law is working out fairly well. Collections have ceased to be a problem. Barring the Dupont Powder Company case, which promises to go to the Supreme Court of the United States, the bottom has practically fallen out of the situation, so far as delinquents are concerned. The chief auditor of the Commission reports the condition of the funds to the Commission every Monday morning. Whenever the balances get low, calls or assessments are ordered for one, two or three months' contributions, written demands being sent out by mail. Considerably over 90 per cent. of these demands are paid within thirty days. If not so paid, drafts are made through the banks. If the drafts are dishonored, the accounts are turned over to the Attorney-General for collection. A law clerk sends out form letters and gets in nearly all the delinquent accounts. Collection suits are extremely uncommon and are invariably in favor of the State. The cost of these collections is inconsiderable.

Appeals from the Commission's awards are not infrequent, but it is significant that out of 21,603 claims disposed of, appeals have been filed in only 50 cases up to July 1, 1913, and fully one-half of these have been settled out of court, or are now in that process. The present policy of the Commission is to compromise rather than incur court costs. In effect, we say that it is better to pay $100 out of the accident fund contributed by employers rather than spend $100 of the taxpayers' money fighting a case which, by the way, usually goes against the Commission. Courts and juries both seem to favor the "poor, distressed workman" as against the State. The Commission is in the same general situation in court as a defendant corporation.

In the early days of the Commissioin some over-zealous advocates touted the law as a final solution of the problems existing between capital and labor. This is hardly true, as the act does not pretend to cover more than one specific phase of the problem, and it would not be reasonable to expect that an act framed by mere men and subjected to the trimming process of a Legislature, would be perfect in all its details. In fact, the Commission, on pages 295 to 300 of the annual report, suggested fourteen amendments, none of which was acted on, except the first, which provided for no general

increase in the scale of awards. The other amendments I will deal with briefly as follows:

The maximum allowance for widow and children of deceased workmen should certainly be increased, if not by the next Legislature, then by some future amendment, for the reason that $35.00 per month, based on a family of three children, is not sufficient to provide for a larger family, and, in fact, is low enough for a family of three.

In the same connection the maximum pension for a workman totally permanently disabled is too small, as $20.00 a month will hardly pay his board, to say nothing of hospital attendance. There are cases now on the books of the Commission where the pensioners in the above claims are partly supported by charity, especially in cases of paralysis of the lower limbs.

There should be a more general supervision of hospital funds, and the Commissioin should have access at all times to the books of such funds for the purpose of preventing a nefarious system of exploitation, evidence of which has been altogether too common during the twenty months of the Commission's work.

This brings up the vexed question of first aid or payment for medical, surgical and hospital costs. This problem did more to divide the supporters of compulsory compensation than any other question presented by the administration of the law. Both employers and workmen agree that some arrangement for paying the doctor's bills and hospital charges, to say nothing of bills for medical and surgical appliances, should be made, but the employer urges that industry has reached its limit, as far as taxation is concerned, and cannot assume the additional burden of first aid. The workman, on the other hand, urges, with equal propriety, that the scale of compensation is so low that it is impossible to pay the costs for surgical, medical and hospital attendance without an added burden upon the injured workman, which neither he nor society at large should be required to bear.

Just how far apart these two elements of the situation were is shown by the fact that not a bill for the establishment of first aid saw the light during the recent Legislature—the workmen refusing to stand for a first aid proposition supported by themselves, and the employer refusing to stand for any proposition which should have increased cost.

This problem is the most insistent of any at this time in the public eye, and it is entirely likely that a drastic first aid law will be initiated within a year that will reopen the whole question of compulsory compensation.

Accidents are on the increase. This is due to the rapid growth of Washington industries, but it is also true that many trivial accidents are being reported to the Commission which, under the old law, would never be heard of. Some of these are due to the workman's own fault, but a great many are due to a general speeding up of the industrial fabric which is becoming more and more characteristic of the industrial activities of the West.

The answer is obvious—there should be a safety standard and a premium placed on the careful employer who provides himself with all reasonable safeguards. It is true that the law provides a penalty for the careless and negligent employer, but naturally this is only invoked in extraordinary cases, and it is likely that some amendment to the law looking to a segregation of individual risks and premiums may be looked for in the near future.

Some system of requiring the casual employer to report his operations must also be devised. The Commission for its own purposes

has designed a small tack-card which is placed upon structures coming within the law, and which might very easily be made compulsory, in the form of a label, all operations not bearing this tag or card being subject to penalty. In brief, some system of licensing the casual or itinerant employer will probably be worked out at such time as the Legislature desires to go into the act as a whole.

The situation is at present that no one hears of the small employer who begins some minor building operation or takes some small contract, until one of his workmen is injured. Then there is an immediate rush to file accident reports and secure compensation, the contribution to the accident fund being out of proportion to the compensation awarded the injured workman.

One aggravated case in North Yakima required a payment of $1,000 from the accident fund in the case of a carpenter who lost an eye while working on a dancing pavilion, contribution of the employer being less than $5.00.

If all these casual employers were compelled to report their operations under penalty, a sufficient fund could be kept on hand to meet the demands made upon the accident fund. As it is, the employer in a settled or continuing business in penalized in a measure for the oversight or neglect of the casual employer who makes no contribution until some one is hurt on his work.

It is, of course, physically impossible for the Commission, with a field force of 21 auditors, to investigate, list and secure contributions from all the casual employers of the State.

The underlying principle of the act, however, is almost universally admitted by employers and workmen to be correct, but short of a serious disagreement on the question of first aid with the off chance that labor may insist on repealing the law and substituting a drastic liability law, there seems to be little danger that the act will be radically amended or repealed.

Very truly yours,

HOWARD L. HINDLEY,

Secretary Industrial Insurance Commission of Washington.

WORKMEN'S COMPENSATION IN WISCONSIN.

By Hon. Herman L. Ekern, Commissioner of Insurance of Wisconsin.

The Wisconsin workmen's compensation act was enacted in 1911, after two years of investigation by a legislative committee. It originally applied only to such employers as elected to come under the act. Each employee of an employer so electing came under the act unless he filed an election to the contrary.

Instead of the compensation being 50 per cent. of the wage as in other States, it is 65 per cent. in Wisconsin. This was the result of a compromise between the manufacturers and the labor leaders before the investigating committee. It is generally felt in Wisconsin that this increased percentage does no injury to the employers.

The maximum compensation fixed by the law is the equivalent of four years' wages at not less than $375 nor more than $750 per year. Compensation is not paid for the first week unless the disability extends beyond 28 days. Medical attendance, including hospital treatment, nursing, medicines and apparatus, must be furnished in addition for ninety days.

To induce an election to come under the act the employer having four or more employees was deprived of the defenses of assumption of risk and negligence of fellow servant.

The law is administered by an industrial commission of three members, which is also charged with the duty of enforcing the law which requires every employer to protect the life, health, safety and welfare of employees. Under this authority the industrial commission makes rules and regulations as to conditions of employment which are promulgated as its orders. Unless appealed from as provided in the law these orders must be complied with under penalty of fine and imprisonment. This does away with a mass of inflexible detail statutory provisions with regard to the guarding of machinery and the like and substitutes elastic regulations made by the commission which may be changed from time to time as conditions demand.

These orders are only made after a full inquiry into conditions, and are quite generally merely the formal approval of the commission to the work of a committee of the employers and employees affected, who have been brought together by a representative of the commission.

It is needless to add that this kind of preventive work has the hearty support of employer and employee, and it is not remarkable that the regulations are often much more strict than could be had through the direct action of the commision or action by the Legislature in the form of statute law.

The act went into effect September 1, 1911, and the following statistics furnished by the commission will give an idea of the progress that has been made.

The first ten months ending June 30, 1912, 436 employers with 63,728 employees, accepted the act. During the year ending June 30, 1912; 1,594 employers, with 85,475 employees, accepted, making a total of 2,029 employers and 149,203 employees under the act on July 1, 1913. In June, 1912, 22.5 per cent. of the accidents were under the act, and in June, 1913, 61.9 per cent. This is significant of the increasing proportion of employees under the act in that a comparison of the month of June, 1913, with the corresponding month of 1912, shows a reduction of 40 per cent. in machine accidents and a considerable reduction in other accidents.

Up to July 1, 1913, the total number of accidents reported under compensation was 4,310. On these there was paid during the first ten months on 897 cases $34,081, and during the year ending June 30, 1913, on 2,800 cases, $159,126. The average indemnity per case has been $52.26. The cost of medical attendance, hospital bills and nurse hire not included in the above is in excess of 50 per cent. of the indemnity. This would bring the total paid to or for injured workmen during the last year, exclusive of cases pending or where compensation has not been paid in full, to about $239,000, and had all accidents reported during the year been compensated under the act the total would have been about $644,000.

The administration of the act has not been expensive. The court expense for the same work under the old system would have been many times the sum expended. The commission requires from the employer a detailed report of every accident and gives every case personal attention, but the great mass of cases are paid without a hearing. Out of 3,044 cases during the last year, hearings were had in only 79 cases.

During the present session of the Legislature the act has been amended in several important particulars. The method whereby employers come under the act is changed so that after September 1, 1913, all employers of four or more employees in a common employment are under the act unless an election to the contrary is filed.

The employer who elects not to come under the act is now deprived of the defense of contributory negligence.

Another amendment takes out of the law the forfeiture of the compensation by the employee for "wilful misconduct." This was done for the reason that employers were inclined to construe the term the same as negligence. As a substitute it is provided that the employee who fails to properly safeguard himself shall suffer a penalty in a 15 per cent. reduction in compensation. On the other hand, a penalty of a 15 per cent. increase is levied upon an employer who fails to furnish all safeguards which may be required.

To reduce the handicap to the old man in seeking employment his compensation is reduced by 5 per cent. for each five-year period beginning with ages 55, 60 and 65, making the reduction 15 per cent. between ages 65 and 70.

The limitation of four years' wages not exceeding $3,000 is increased to six years' wages not exceeding $4,500 in cases of total permanent disability. A schedule of fixed benefits is provided for readily definable accident. By agreement between employer and employee, railway employees may come under the act under the same conditions as other employees, except that the annual wage limits are $500 and $1,250.

A very important change is that which requires every employer to carry insurance unless relieved by the Industrial Commission upon showing financial ability to pay the compensation in case of injury.

The Wisconsin act is perhaps the most liberal in the compensation allowed to the workmen. On the basis of a wage of $2 the commission has made the following comparison:

The death benefits are more than in other States by the following percentage: Illinois 3%, Nebraska 10%, Minnesota 13%, Connecticut 17%, New Hampshire and Maryland 18%, Kansas 22%, California and Iowa 23%, and Massachusetts, Michigan and Rhode Island 27%. The death benefits are less by 7% than those of Ohio and Texas.

The compensation for major injuries is greater than in other States by percentages ranging from 14% over Ohio to 36% over Iowa, Michigan and New Jersey, and for loss of an eye by from 17% over Washington to 52% over Iowa.

For medical attendance the time allowed is 90 days without limitation as to amount. The time limit is 56 days in Illinois, 30 days in Connecticut, 21 days in Michigan and Nebraska, 14 days in Iowa, New Jersey, Massachusetts and Rhode Island, and 7 days in Texas. The money limit is $200 in Ohio, $100 in Minnesota, Iowa and New Jersey. No medical attendance is provided in Arizona, Kansas, New Hampshire, Nevada and Washington.

The successful operation of the act in Wisconsin is generally admitted. Instead of the compensation rates for insurance being twice or more than twice the liability rates the rates are now generally as low, and some companies will decline liability risks, preferring the compensation risks. Four mutual companies have been organized and are doing business with every prospect of success. Employers and employees supported the amendments and it seems probable that these amendments will bring nearly all employers under the act.

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